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NEWS SUMMARY

GENERAL

Fifth murder victim found

...e in Scotland yesterday ...d the body of a fifth ...ler victim, believed to be Dorothy Scott-Elliot, wife ...e murdered former Member ...arliament.

...e partly-clothed body was ...d in a water-filled ditch Braco, Perthshire. It had ...rently been bundled over ...dside wall and covered with ...s and leaves.

...e search for Mrs. Scott-Elliot been going on amid snow-fields all week, but the switched to a new site yes...y after a man who helped ...e the fourth body in Dum... on Saturday arrived in ...ashire under heavy escort.

...e murder hunt began ... police at Newcastle-under-... found thousands of pounds ...h of antiques and other pro... belonging to the Scott-...ts.

...voy expelled

...opia expelled the West Ger... ambassador yesterday in ...rent reaction to Bonn's ...sion to give $12m. in aid to ...alia. He is the second West ...man diplomat asked to leave ...opia this month. Western ...ons to press for talks to end Somalia-Ethiopia fighting, ...e 2

...alian crisis

...the eve of inter-party talks Italy's political crisis, the ...mmunists have reaffirmed ...ir demand for direct partici...ion in the next Government—...move being resisted by the ...ristian Democrats. Sig. Giulio ...dreotti, Premier-designate, ...day begins a series of over...es to opposition parties in his ...to obtain support for a new ...ernment. Page 2

...host city

...om Penh resembles a "ghost ..." with few people and no ...s, mail or telegraph services, ...rding to Scandinavian diplo...s just back in Peking from a ...t to the Cambodian capital. ...y said the Communists had ...n up the State bank and use-... banknotes were lying in the ...ets. Vegetables grew in side ...ets and there was no sign of ...vation—or of panic over the ...ler war with Vietnam. ...eral Giap near war zone, ...e 2

...ace link-up

...et Union yesterday carried ... a link-up between the first new type of unmanned cargo ...eship, Progress-1, and the ...ting space station, Salyut-6. ... cargo ship, launched on ...ay, has taken fuel, scientific ...pment and other supplies to two cosmonauts in the space ...ion.

...izzard clears

...-bound north-eastern states ...he U.S. have been struggling ... to normal after days of ...ing weather. Airline flights ...med as runways were cleared ...e, rail services returned to ...g Island where commuter ...rbs were cut off for two ... and highways were ...ened although snow still ...ered higher than roofs of ...on some. New York City ...ets.

...iefly . . .

...bert Sutcliffe, former Eng-... and Yorkshire opening ...man, died yesterday in a ...sing home at Keighley, York-..., at the age of 83.

...field Labour Party in Notting-...shire has chosen miners' ...inee Frank Haynes, 51, to ...est the seat which Mr. Tim ...th narrowly won for the ...es in a by-election last year.

...kly £50,000 premium bond ...e was won by No. 1VS 19708S. ...winner lives in Bedford-...e.

BUSINESS

Firm line on jobs aid scheme

● THE GOVERNMENT will take a firm line when it defends the Temporary Employment Subsidy before the EEC Commission later this week.

Commission officials are concerned at the distorting effect the subsidy has on competition within the Community, but the U.K. Government has made it clear that some measures to assist employment must continue. Back Page.

● BRITISH LEYLAND shop stewards meet to-day to launch a shopfloor campaign to boost production and cut strikes, in an attempt to persuade BL management not to reduce employment. Company forecasts suggest that BL will supply only 25 per cent. of the U.K. car market over the next five years. Back Page

Tough action on pay code breakers

● SUN ALLIANCE insurance group may find itself on the Department of Employment pay sanctions blacklist because of changes in the companies pensions scheme. Page 3. Meanwhile, the Department of Energy has told industries including the NCB, British Gas and the CEGB, not to deal with companies in the private sector which breach the pay code, and so prevent higher prices being passed on to the consumer. Back Page

● CONSUMER expenditure is expected to make a sharp recovery in the summer, according to the latest Financial Times survey of consumer confidence. Page 43. At the same time, the Government is coming under increased pressure to plug the Price Commission loophole which allows companies to put up their prices while they are being investigated by the Commission. Page 3.

● NATIONAL SAVINGS receipts for the five weeks to the end of December totalled £61.6m. compared with £16m. in the same period in 1976. Page 3

● GATT meeting—the so-called Tokyo round—begins its most crucial phase to-day, at which rules governing international commercial relations for the next decade will be decided. Back Page.

● BRITISH RAIL is expected this year to place orders worth £28m. for ships for its cross-Channel services. The ferries will almost certainly be built in U.K. yards. Page 3

● EMPLOYEE share-ownership schemes are to be the subject of a Treasury consultative document to be published soon. Back Page

● STOCK EXCHANGE has outlined to stock market firms arrangements to protect investors against the possibility of default in the proposed trade in share options. Podium 3 on the Exchange floor will be used for the trading. Page 40

● AN INVESTIGATION by the Stock Exchange into the conduct of affairs of Mr. Alan Knapp, who resigned as senior partner of stockbrokers Sandelson and Co. last August is almost complete. Back Page

● EASTMAN KODAK has lost a $300m. anti-trust suit in the U.S., brought by Berkey Photos. Kodak is to appeal. Page 2

● CARLSBERG, the only Continental brewery group with its own brewery in the U.K., reports profits of £1.3m. on U.K. sales for the year to September 30 compared with £500,000. Page 40

● SAUDI-ARABIAN shipping line has been formed to capture 40 to 50 per cent. of the country's rapidly growing seaborne trade. Page 2

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FEATURES

For latest Share Index 'phone 01-346 8026

Carter unveils $24.5bn tax reductions plan

BY JUREK MARTIN, U.S. EDITOR, Washington, Jan. 22

President Jimmy Carter's $24.5bn. (£12.7bn.) tax reduction plan, unveiled over the week-end, contains significant tax cuts for corporations and individuals, but some of his controversial relatively minor reform proposals could be substantially altered by Congress before becoming law.

Among items likely to be hotly debated are the proposed phase-out over three years of the tax subsidy for American exporting companies known as Domestic International Sales Corporations (DISCS).

Several popular business tax deductions, including first-class air travel and executive lunches, may be curbed.

The package produces net cuts of about $24.5bn.—$16.8bn. for individuals, $5.7bn. for corporations, and a further $2bn. in Federal excise relief.

In fact, the overall cuts amount to about $34bn. ($23.5bn. for individuals, $8.5bn. for businesses, plus the $2bn. off excise taxes), but these are reduced by $9.4bn. in revenue-raising reforms.

The cuts are planned to take effect on October 1, when the Administration believes the economy may need some stimulus after a good first half of the year.

Mr. Michael Blumenthal, the Treasury Secretary, said that the economic effect of the measures would be to create a million more jobs by the end of 1979, to reduce unemployment by 0.5 per cent. and to ensure that the real growth in gross national product would be 1 percentage point above what it would have been if no stimulus were applied.

Administration officials also insist that the cuts are necessary to offset the fiscal drag of the new social security levies and the impact of inflation on tax receipts, which, it is estimated, will take nearly $30bn. out of the economy over the next two years.

To the $24.5bn. in new tax cuts should be added another $4bn. unspent from last year's mini-reflationary measures.

An underlying Administration philosophy is that assistance should come in the form of tax cuts rather than greater federal spending.

Mr. Carter's budget, to be unveiled to-morrow, will peg federal outlays at about $500bn., a real increase of less than 2 per cent. on the current fiscal year. The deficit will remain high at just over $60bn. but would have been $10bn. to $15bn. without the tax cut provisions.

Initial reaction to the tax proposals, a shrunken version of the promised wide-ranging reforms, has been rather critical. A similar fate is meeting Mr. Carter's voluntary anti-inflation plan which both corporate and labour leaders are opposing.

Congressman Al Ullman, chairman of the House Ways and Means Committee, from which all tax legislation emanates, has said that he believes the stimulus to be too large (he would prefer about $10bn. less) and that he does not like the ending of corporate foreign tax breaks and entertainment deductions.

The phase-out of DISCS at a rate of one-third of the subsidy over each of the next three years is likely to come in for special attention, given the growing concern over the large U.S. trade deficit and the need to boost American exports.

The Administration's reasoning is that DISCS — already declared illegal by the General Agreement of Trade and Tariffs —have turned out to be more costly and less effective than originally claimed, largely because of the advent of flexible exchange rates.

The Administration referred again to a Treasury study which showed that the use of DISCS in 1974 boosted exports by only $1bn. and $3bn. (less than 3 per cent. of the total exports) but at a cost to the Government of $1.2bn.

Another proposed three-year phase-out of the U.S. tax deferral on the earnings of the foreign subsidiaries of U.S. corporations is also unlikely to please American business. The tax cost to business, the Treasury calculates, will be $100m. in calendar 1979, rising to $900m. by 1983.

The decision to stop first-class air fare tax deductions, further limitations on travel expenses to attend foreign conventions and a limit of 50 per cent. deductibility on the cost of business lunches, plus the banning of assorted

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Men and Matters Page 10

Monetary policy crucial to Budget tax cuts

By Peter Riddell, Economics Correspondent

THE INCREASED importance of monetary policy in decision-making is likely to be shown in the size of the tax cuts in the spring Budget.

As a result, the Government's commitment to control the growth of the money supply probably will be a bigger factor than calculations based merely on the use of the whole of the potential headroom below the borrowing ceiling agreed with the International Monetary Fund.

Current indications, however, are that there still should be scope for a stimulus of at least £2bn., and possibly about £2½bn., mainly in the form of a reduction in income tax.

There may be caution about larger-scale action than this, not only on monetary grounds but also because of concern about whether, in practice, the economy can grow much more rapidly than planned for the immediate future.

These factors have emerged as key influences on thinking within the Treasury as preparatory work on the Budget moves into higher gear.

The importance of monetary considerations was highlighted last October when Mr. Denis Healey, Chancellor of the Exchequer, explained why the tax cuts made then absorbed only about half the leeway below the borrowing ceiling for the current financial year.

"It would have been difficult to take full advantage of the borrowing requirement headroom and still keep control of the monetary aggregates as planned," he said.

Different

Similar factors are likely to apply in the financial year starting in April, especially as the contribution to the growth of the money supply for private sector loan demand probably will be much larger than at present.

This will have to be accommodated within an upper growth limit which is unlikely to be significantly different from this year's figure of 13 per cent., even though the target itself is likely to be more flexible and on a rolling basis.

The non-monetary influences also were stressed by Mr. Healey when he said he was "personally deeply conscious of the supply constraints on the speed at which an economy recovers after a long period of depression. I am determined not to inject a degree of demand which will lead to the

Continued on Back Page

Israel halts Cairo peace discussions

BY DAVID LENNON TEL AVIV, Jan. 22

ISRAEL decided to-day not to resume for the time being discussions of the military committee on a Middle East settlement in Cairo.

The Government to-day recalled General Avraham Tamir from Cairo, where he was heading the military committee, for consultations. The rest of his team will stay in Cairo for the moment.

The Israeli Foreign Ministry said Israel did not see much point in the military committee resuming talks while the political committee in Jerusalem is in suspension following the departure of the Egyptian team.

The Cabinet decision, taken in the face of strong U.S. urging to maintain a direct dialogue with Egypt, is a further blow to the already fragile relations between the two countries. Mr. Menahem Begin, the Prime Minister, said it had been taken because President Anwar Sadat when he addressed the Egyptian People's Assembly on Saturday night had made "ultimative demands which are totally unacceptable to Israel."

Mr. Begin called Mr. Sadat's speech "extremist and aggressive" and accused Egypt of conducting "a campaign of grave vilification against the State and the Government of Israel. Egyptian newspapers even used notorious anti-semitic expressions," he said.

The Israeli Premier called on the Egyptian Government to prevent a repetition of such statements. He said they together should create "a suitable atmosphere for the calm conduct of negotiations in which Israel is still interested."

The Cabinet would reconsider the decision on the military committee at an unspecified future date. The Prime Minister intends to respond to President Sadat's speech when he addresses the Knesset to-morrow.

Now the Middle East peace negotiations have reached a stalemate, it is now up to the U.S. to get the process moving again, an Israeli official said to-night.

The latest development had set the region back almost to the point it was at prior to President Sadat's dramatic peace initiative, he added. The barriers of mistrust which the Egyptian leader originally sought to tear down were clearly still intact.

Roger Matthews reports from Cairo: Only a major shift in Israeli attitudes can now save President Sadat's Middle East peace initiative from failure. This became starkly clear last night after the Egyptian leader's long and rather rambling speech to the People's Assembly.

For the first time in the past three months he appeared to be on the defensive, probably for domestic political reasons, and failed to produce the clear re-assessment of the situation that he had promised.

Mr. Sadat's primary hope is that the United States administration can induce sufficient Israeli flexibility to allow the discussions of the political committee—halted by Egypt last Wednesday—to resume at some future date.

To this end, Mr. Sadat announced that he was willing to permit the joint military committee to go ahead if the Israelis decided to attend.

The obvious bewilderment of President Sadat at Israel's determination to keep its settlements in northern Sinai again showed through clearly last night. He said he had told Mr. Ezer Weizman, the Israeli Defence Minister, that it must be a joke, that it could not be a serious demand. "If you are serious about this, please tell Br. Begin that I will not allow a single settlement, or give up a square inch of my land even if this means that I fight you to the ends of the earth."

Significantly, it was this statement by Mr. Sadat which drew the warmest applause from the People's Assembly, tending to confirm the view that he is finding it increasingly difficult to carry all senior members of his regime along with him. For the most part, members of the Assembly heard Mr. Sadat in silence and left with a feeling of let-down that has not recently been experienced.

The style, timing and content of the Israeli Prime Minister's utterances in the past days have undoubtedly contributed to the feeling of pessimism in Cairo and produced the realisation that total failure is now a real possibility.

The only rabbit that Mr. Sadat did pull out of the hat was the revelation that he had asked the U.S. to provide Egypt with the same quantity of arms that it was supplying to Israel. Although the request was made without hope of its being realised, Mr. Sadat went on to emphasise that it was U.S. military aid to Israel which contributed to that country's intransigence

Arab reaction, Page 2

Mr. Cyrus Vance, U.S. Secretary of State, expects Israel and Egypt to resume peace contacts within the next week to 10 days, a senior U.S. official said in Washington last night, Reuter reports. Mr. Vance expected Israel to resume participation in the Cairo military talks despite the Israel announcement of a postponement of the discussions.

Mr. Begin had decided to postpone until Tuesday a decision on resumption of the Cairo talks

Swan Hunter holds pay talks with boilermakers

BY IAN HARGREAVES AND NICK GARNETT

SWAN HUNTER management and negotiators for the company's boilermakers held talks throughout the week-end to try to reach some agreement on the pay and flexibility dispute which has led to the withdrawal from the company of the remaining ships allocated to it in the problem-hit £115m. Polish order.

The boilermakers stressed that they were not scrapping all their flexibility arrangements, and part of the talks apparently hinged on ways of minimising the effects of reducing the amount of job interchangeability.

Although British Shipbuilders said on Friday that the decision to reallocate the rest of Swan Hunter's share in the Polish order—three to Govan on the Clyde and one to Smith's Dock on Teesside—was final, Mr. John Chalmers, general secretary of the Boilermakers Society said he still had "a slim hope" that the four ships would be built on the Tyne.

Mr. Chalmers, who was involved in the week-end talks along with shop stewards, said, however, that his optimism was being "drained away."

Shop stewards at Swan Hunter are due to meet this morning, with a further meeting with management later in the day.

Govan shop stewards are also meeting to-day to discuss their attitude to the reallocation of the further three bulk carriers in the order to the Clyde.

The meeting cannot be expected to offer a straightforward acceptance of the latest addition to the yard's share of the order.

Mr. Jimmy Airlie, head of the joint shop stewards committee, takes the view that Govan should not be seen as "the dumping ground for the problems of British Shipbuilders."

He is strongly critical of the failure, as he sees it, of British Shipbuilders to foresee the complex labour problems which have been thrown up by public stampeding of the unions into pledges of good behaviour.

He also attacks the leadership of the Confederation of Shipbuilding and Engineering Unions for failing to base its response to the Swan Hunter problems on the principle of no redundancies.

The likeliest outcome of to-day's meeting is that the Govan stewards will not block their yard's nomination on the final building contract which Mr. Michael Casey, British Shipbuilders' chief executive, has to sign in Poland this week.

The stewards hope that, after signature, further efforts will be made to resolve pay parity issues on the Tyne and so make it possible to switch the orders back to Swan Hunter.

Although British Shipbuilders will not be drawn on the possibility of such a development, it has taken the view all along that individual ship orders can be switched mid-contract.

Govan is not in a position to start work at once on the three 16,500-tonne bulk-carriers lost to the Tyne last Friday. It still has four larger vessels for the United Arab Shipping Company on the stocks.

British Rail Orders—Page 3

Liberal decision makes autumn election likely

BY RICHARD EVANS, LOBBY EDITOR

THE PROSPECT of an autumn General Election appears increasingly likely following the decision of the special Liberal Assembly at the week-end to continue the Lib-Lab pact until the summer and to allow Mr. David Steel, the party leader, to choose the time for withdrawal.

Although Mr. Steel would like to keep his option on renewing the pact open, he admitted yesterday that the chances of reaching a further agreement for the next Parliamentary session, while not impossible, were extremely slender.

Despite the impressive endorsement by more than 3—1 for continuing the pact until July, Mr. Steel would almost certainly find that the terms he would have to seek from Mr. James Callaghan for renewal would be too high.

In practice, the Assembly decision by 1,727 to 520 marked the beginning of the Liberals' gradual disengagement from the agreement that has sustained Labour's minority Administration in office since last March.

Nevertheless, Mr. Steel's personal triumph at Blackpool, when he sought to spell out the harsh realities of his balance of power strategy to a party deeply worried by lack of electoral success, means that the Government is safe for the remainder of the session. Mrs. Margaret Thatcher, the Conservative leader, will not seek to table a motion of no confidence she knows she will lose.

It gives Mr. Callaghan the necessary security to complete his present legislative programme, including the devolution measure he regards as vital to Labour's prospects in Scotland, and to complete the Finance Bill implementing what promises to be a popular Budget.

In the summer, the Prime Minister will have to decide whether to call an election around October or soldier on for another session.

Without firm Liberal support this would be a considerable gamble, particularly as the Nationalists would be less disposed to keep him in office once devolution legislation is completed.

Continuation of the pact simply means that the 13 Liberal MPs will support the Government on confidence issues, but not over the whole range of policy.

An illustration of Liberal independence is likely in the Commons to-night when the Government is in great danger of defeat over its proposal to devalue the "green pound" by 5 per cent.

The Liberals have failed to persuade Ministers in intensive talks to devalue by 10 per cent. so they now intend to vote with the Nationalists and the Conservatives — who advocate a devaluation of 7½ per cent.—against the Government.

Two Labour back-benchers, Mr. John Lee (Handsworth) and Mr. John Ryman (Blyth) have said they will rebel.

On paper, the Government should lose the division, but Mr. John Silkin, Minister of Agriculture, will seek late converts by arguing that the 5 per cent. figure is necessary in order to restrict the income of farmers to an additional 10 per cent. in line with pay policy.

Mr. Steel's underlying strategy of seeking maximum advantage from holding the balance of power was taken a stage further yesterday when he hinted at the minimum requirement he would need for supporting a Conservative minority Government led by Mrs. Thatcher.

In a BBC radio interview he said that the key issue in any future negotiations would be electoral reform. Recent developments had forced the issue to the forefront of politics, but Mrs. Thatcher still refused to take account of the pressures.

Tories warned not to exploit race Page 3
Liberal share-ownership plan Back Page

OVERSEAS NEWS

West to seek negotiated settlement to Ogaden war

BY DAVID BELL

WASHINGTON, Jan. 22.

OFFICIALS FROM five western countries met for more than seven hours in Washington yesterday to discuss ways to encourage Somalia and Ethiopia to open peace talks and prevent further fighting over the Ogaden region.

A State Department spokesman said this morning that all five countries—the U.S., Britain, France, Italy and West Germany—agreed that negotiations were the only way to end the fighting and all pledged full support for the initiative of the Organisation of African Unity to get talks under way.

The five nations were the same group who were formally asked last week by the Somali Government to supply Somalia with arms following the massive Soviet build-up that has taken place in Ethiopia in the past seven weeks.

While the U.S. has ruled out supplying arms to Somalia while the present fighting lasts—and banned the transfer of American-made weapons by other countries to Somalia—there is some speculation here that the U.S. will not be displeased to see other countries supplying limited quantities of weapons to the Somalis. It is widely believed that Iran, Saudi Arabia and China may already have sent some kinds of weapons to the Siad Barre Government.

However it is understood that yesterday's talks were more concerned with the prospects for getting negotiations started and with the possibility of the Somalia-Ethiopia conflict being discussed in the United Nations Security Council. Last Wednesday in the House of Commons Dr. David Owen, the British Foreign Secretary, did not rule out the possibility that Britain might supply arms to Somalia although he said that since the fighting started the U.K. had not sent any arms to either side.

The Carter Administration has been watching the Russian build-up in Ethiopia with mounting concern and it is assumed here that the U.S. will tacitly approve any shipment of weapons by a European nation to Somalia if only as a symbol of Western support for that nation.

Jonathan Carr reports from Bonn: The West German ambassador to Ethiopia, Herr Hans Christian Lankes, was ordered this week-end to leave the country. The action follows word that Bonn is prepared to provide Somalia with a DM25m. credit which could conceivably be used for arms purchases.

The sum would be made available from the West German development aid budget, but as a freely disposable credit for whose precise use the Somali government would not have to account. The Development Aid Minister, Frau Marie Schlei, described this form of aid this week-end as "not typical—but not extraordinary either."

Word of the credit comes as something of a surprise—even though relations between the two states are particularly close, following Somalia's support last October for the West German commando raid in Mogadishu against terrorists who had hijacked a Lufthansa jet.

In his government policy statement last week, Chancellor Helmut Schmidt reaffirmed Bonn's policy not to deliver arms to areas of tension.

David Satter reports from Moscow: Pravda stated to-day that the immediate withdrawal of Somali forces from Ethiopian territory is a necessary prerequisite of peace talks in the Horn of Africa and reiterated the Soviet denial that aircraft, ships, and troops of the Soviet armed forces are fighting on the side of Ethiopia. It said that there could be no Somali-Ethiopian peace talks now because for Ethiopia to participate in negotiations would be equivalent to consenting "to the consequences of Somali aggression."

W. German industrial action in prospect

By Jonathan Carr

BONN, Jan. 22.

POSITIONS hardened this weekend on two fronts in the current round of West German wage negotiations. Strikes of dock workers and metalworkers are no longer ruled out.

Some 16,000 workers at the country's six ports voted overwhelmingly in favour of strike action unless employers made what was called a new and acceptable offer by to-morrow evening. The public services union is seeking a wage increase for the dock workers, while the official mediator has proposed an average 5.3 per cent., a suggestion to which the employers have already agreed.

Meanwhile employers in the metalworking industry yesterday unanimously reaffirmed their view that last year's accord, expiring on October 31, should simply be extended for six months and then followed by a wage rise of 3.5 per cent. for the period May to October, 1978 inclusive.

The executive board of the Metalworkers' Union, IG Metall, Meets to-morrow in Frankfurt. Union leaders, who have been seeking a rise of 7 per cent., are prophesying that the employers' offer will prove unacceptable and that a strike may result.

● The West German steel industry registered a 19 per cent. increase in new orders during December to a new level of 1.96m. tonnes. Orders from domestic customers were up by 140,000 tonnes, while those from foreign sources other than the European Community rose by 180,000 tonnes. New orders from within the Community were virtually unchanged.

Gen. Giap 'visited war zone'

By Richard Nations

BANGKOK, Jan. 22.

VIETNAM'S veteran military strategist and Minister of Defence, General Vo Nguyen Giap "recently" visited the south near the zone of Vietnam's continuing border war with Cambodia, Radio Hanoi reported to-day.

General Giap's visit is reported two days after Hanoi issued a stern warning that its patience is running out with the leadership in Phnom Penh, whom they directly labelled as "reactionaries" for the first time last Friday.

Observers here note that General Giap's last visit to Ho Chi Minh city (Saigon) in September prefigured by two weeks the first thrust of an eight-division combined invading force which struck into Cambodia in mid-October last year. Some think Giap's current trip may point to a similar intention on Hanoi's part to escalate the fighting inside Cambodia after meeting considerably stiffer resistance from Khmer Rouge units.

Reports of General Giap's trip also came the day after a high-level Chinese mission left Phnom Penh after a four-day visit designed to demonstrate Peking's diplomatic support for the Pol Pot regime.

Reuter reports from Peking: M. Raymond Barre, the French Prime Minister, left Peking to-night for north-east China. He was seen off by Vice-Premier Teng Hsiao-ping. Earlier he met Madame Teng Ying-chao, widow of Premier Chou En-lai, who returned yesterday from Cambodia.

Federal jury finds against Kodak

BY STEWART FLEMING

NEW YORK, Jan. 22.

EASTMAN KODAK, the world's largest manufacturer of photographic products has used its technological dominance to monopolise much of the amateur photographic market a Federal jury has found at the end of a $300m. anti-trust action brought by Berkey Photos of New York.

Kodak said that it will appeal the findings. Although the court will not set the actual damages Kodak will be liable for under the decision until next month, the decision is nevertheless a serious blow for Kodak whose $6bn. a year of sales make it one of the largest corporations in the country.

The jury found that Kodak monopolised sectors of the amateur photographic market including conventional amateur still cameras, colour film, colour print paper, colour negative printers and photofinishing services equipment and chemicals. But it answered "no" to questions on whether Berkey had proved its charges that Kodak "unlawfully attempted to monopolise the market" in colour print paper, amateur movie cameras and photofinishing.

Two other lawsuits, one filed by GAF Corporation and one by Pavelle Corporation have been awaiting the outcome of the Berkey case.

The trial was the first of four complaints filed against Kodak in 1973 the year after it introduced its Instamatic pocket cameras with new film size and chemistry.

One of the suits, by Bell and Howell was settled out of Court in 1974 and provided for prior disclosure by Kodak before introducing new films that could affect producers of movie cameras or processing film.

Both GAF and Berkey have abandoned the small camera and film business since filing the suits.

The litigation Kodak has been engaged in, including the disputes with Polaroid over Kodak's entry in 1976 into the instant camera market, have been one of the factors behind investors' disillusion with the company.

Once one of Wall Street's largest glamour stocks Kodak's shares, which hit a high of $152 in 1973, have been among the worst performing shares of a major corporation on the stock market. Currently they have been trading around a 12-year low at $48¼.

Agreement over U.S. labour Bill

By John Wyles

NEW YORK, Jan. 22.

SENATE SUPPORTERS of the Carter Administration's labour law reform Bill have agreed to compromise changes in a bid to avert a possible filibuster.

The Bill is the centrepiece of the American trade union movement's legislative ambitions for this year and is strongly opposed by virtually all business organisations.

Originally drafted by the American Federation of Labour-Congress of Industrial Organisations, some of its provisions were softened before the Administration agreed to endorse it. It passed through the House of Representatives by a substantial majority last autumn.

But the Senate has always been seen as the key obstacle because the business lobby was expected to be more effective in it.

The compromise changes helped the Bill through the Senate's labour committee on Friday, and it will pass to the human resources committee on Wednesday.

In essence, the Bill is designed to remove procedural delays to union efforts to secure representation elections among groups of workers and to impose stiffer penalties on employers who act illegally to try to frustrate union organising drives.

Troop alert in Jakarta

JAKARTA, Jan. 22.

ARMOURED cars patrolled the streets of Jakarta to-day and troops guarded key installations as the Government moved to stamp out student opposition to President Suharto, ruler of Indonesia since 1966.

Several student leaders were reported to have been arrested during the night. Officials would not confirm the reports, but Indonesia's security chief, Admiral Sudomo, said recently people should not be surprised if arrests were made.

The security forces were put on alert amid fears that university students were planning anti-Government demonstrations this week-end. Two more newspapers were shut down to-day for reporting the campus unrest, seen by the Government as a threat to national stability.

Reuter

Broad Arab view is that Sadat effort has failed

BY IHSAN HIJAZI

BEIRUT, Jan. 22.

THERE IS a consensus in Arab quarters that President Anwar Sadat's peace initiative has failed, but views differed as to why he did not announce this in his speech before the Egyptian Parliament yesterday.

Anti-Sadat elements said that if he admitted failure he would have to fulfil the promise he had made earlier for resigning. "Sadat avoids backing down so he may not have to resign," the bannerline in the pro-Libyan As Safir announced here to-day.

Mr. Majed Abou Shrar, the head of the unified information section of the Palestine Liberation Organisation, said Mr. Sadat is "marking time" and that Egypt's only alternative at present is to build up its armed forces.

The most educated analysts believe, however, that Mr. Sadat needs time to chart a new course for his Middle East policy, and expect the Egyptian military command quietly to go to work on military plans for possible confrontation with the Israelis later this year.

The analysts doubt that Washington will meet President Sadat's request of providing him with the same quantity and quality of weapons it had supplied to Israel. Mr. Sadat said he made such a request through the U.S. Secretary of State, Cyrus Vance.

Our Correspondent in Damascus reports: A meeting in Algiers of the Foreign Ministers of Syria and Iraq is expected imminently, Arab diplomats said here to-day. The meeting, towards which President Houari Boumedienne of Algeria has been working during his recent tour of the Middle East, aims to prepare an agenda for a summit meeting of the leaders of Syria and Iraq.

This would try to consolidate the "steadfastness front" which rejects President Sadat's peace initiatives but which is weakened by the refusal of Iraq to join it, principally because of its long-standing dispute with Syria.

Syrian official sources appeared to confirm the diplomats' reports by stating that it was important for Arab states to overcome marginal differences in view of "the present circumstances, and the plots of Sadat against the Arab nation."

Meanwhile the Syrian Parliament to-day approved unanimously the candidature of President Hafez Assad to the post of President of the Republic for a new mandate of seven years beginning March 12.

Ecevit wants summit talks

By David Tonge

ANKARA, Jan. 22.

MR. BULENT ECEVIT, Turkey's new Prime Minister, to-day capped an intensive review of Turkey's role in the world with a formal proposal to his Greek counterpart for a summit meeting.

The proposal came in a reply to Mr. Constantine Karamanlis' congratulatory message following last week's vote of confidence in Turkey. According to Turkish radio and television tonight, Mr. Ecevit said the purpose would be "to reopen the way to a fruitful dialogue that would reinstate mutual trust and find solutions satisfactory to both sides to our problems."

Kuwait change

KUWAIT, Jan. 22.

THE KUWAIT Government resigned to-day, three weeks after the Prime Minister, Sheikh Jaber al-Ahmed al-Sabah, was proclaimed Emir on the death of the previous ruler, Sheikh Sabah al-Salim al-Sabah.

Reuter

Italy's Communists want pact

BY DOMINICK J. COYLE

ROME, Jan. 22.

ITALY'S powerful Communist Party (PCI) the second largest party in Parliament—to-day marked the 57th anniversary of its establishment by strongly reaffirming demands for direct participation in the next Italian government.

The alternative, according to a signed article in to-day's L'Unit, party's daily, written by one of the PCI's more moderate leaders, Sig. Giorgio Amendola, was for the Communists formerly to return to opposition in Parliament, implying a direct potentially damaging confrontation with the Christian Democrats (DC) who have ruled Italy for more than 30 years. This warning, which appears to allow little room for compromise is hardly a propitious opening to talks with Sig. Giulio Andreotti, Prime-Minister designate, which starts here to-morrow with the main emphasis on forming a new government.

Sig. Andreotti's minority administration resigned last week after Communists, Socialists and Republicans had withdrawn their tacit support for his Government. All three parties called for the creation of an emergency Government to include the Communists, in face of the country's deteriorating economic situation and the mounting violence in Italy's major cities.

While acknowledging that a resolution to the present crisis, Italy's 39th change of government since the fall of fascism since 1943—looks like being prolonged Christian Democratic sources claimed to-night that Sig. Amendola's hard-line attitude should be seen as an attempt by the PCI leadership to reassure the party's rank and file militants on the occasion of its 57th anniversary.

Certainly, many PCI voters throughout the country have become utterly confused by the decision of the PCI leaders after the inconclusive 1976 general election effectively to maintain the minority Andreotti Government in office for 18 months through a policy of abstentionism in Parliament.

The Christian Democratic leadership has, however, rejected the Communists" call for direct participation in the next Government. In so doing it has been reinforced by a recent statement on behalf of the Carter administration in Washington that the U.S. does not wish to see Communists achieving a share in power in Western Europe. On the other hand, Sig. Andreotti is known personally to favour a middle course which might secure Communist support for the next Government's economic and social policies—by gaining their direct votes in Parliament, but without having to include PCI ministers in his Cabinet.

Sig. Amendola to-day did not reject outright such a possible compromise formula, although he hit out hard at what he describes as U.S. interference in Italy's internal affairs, and in the "incompetence and corruption" of previous administrations.

Portugal's CDS to have three posts

By Diana Smith

LISBON, Jan. 22.

IT NOW seems certain that Portugal's Christian Democrat Party (CDS) will receive three Ministries — Foreign Affairs, Trade, and a new enterprise, the Ministry of Administrative Reform—in the Portuguese Cabinet which Sr. Mario Soares is now in the process of choosing.

Socialist and Christian Democrat leaders have been holding urgent meetings with their rank and file throughout Portugal, coaxing them to back their pragmatic and, to many, controversial alliance.

Since they are reluctant to lose all control over foreign affairs, the Socialists are likely to put one of their members into this Ministry as Secretary of State under Sr. Vitor sa Machado, CDS MP and Deputy Speaker of Parliament, who is considered a relatively "laissez-faire" personality and is almost certain to be the next Foreign Minister.

WORLD TRADE NEWS

Sharp decline in U.S. exports to Soviet Union

BY DAVID SATTER

MOSCOW, Jan. 22.

THE VALUE of U.S. exports to the Soviet Union declined by over 30 per cent. during the first nine months of last year compared with the equivalent period of 1976—the result of an even steeper drop in the value of agricultural exports.

Figures released by the U.S. Embassy show that the decline in U.S. exports stems from the successful 1976 Soviet grain harvest which allowed the Soviets to cut back on the massive grain imports which swelled total U.S.-Soviet trade in 1976 to more than $2.5bn., an all-time record.

U.S.-Soviet trade turnover for the first nine months of last year came to $1.466bn., a decline of 27 per cent. from the $2.001bn registered for the same period of 1976.

Most, although not all, of the decline resulted from the fall in U.S. agricultural exports to the Soviet Union, the value of which was only $777m. or 36 per cent. below the value of agricultural exports during the equivalent period of 1976 which was $1.22bn.

There is a good possibility, however, that the value of U.S.-Soviet trade may soon reach higher levels because of the renewed Soviet interest in importing grain after the disappointing 1977 harvest. U.S. Department of Agriculture officials estimate that the Soviets, who bought approximately 12m. tonnes of American grain in 1975-76 and only 6m. tonnes in 1976-77, will purchase between 8m. and 15m. tonnes in 1977-78. Even though grain prices are lower now than in previous years, increased Soviet purchases are expected to have a favourable impact on the total value of trade.

The decline in U.S. agricultural exports to the Soviet Union during the first nine months of last year was matched by a decline in the value of non-agricultural exports, principally oil and gas, machinery and other finished goods. The value of such exports to the Soviet Union was $502.2m.—a decline of 18 per cent. from the $615.5m. expected during the same period of 1976.

The drop is seen by commercial sources as a reflection of the tightening up of Soviet hard currency purchases of finished goods and not as a specific retaliation for U.S. trade legislation which the Soviets regard as discriminatory.

Swiss trade pact signed

BY JOHN WICKS

ZURICH, Jan. 22.

A TEN-YEAR trade agreement has been signed between Switzerland and the Soviet Union with the intention of developing co-operation in commercial, industrial and technological sectors. The framework agreement, the first of its kind to be entered into by the Swiss, will provide the basis for a long-term programme to be set up by an existing bilateral working party.

The agreement foresees as possible areas of co-operation between the two countries the exchange of goods and services, the construction, extension and modernisation of industrial installations, links in the field of industrial and agricultural production, trade in licences and know-how and joint efforts in research and development.

There is specific mention in the agreement of opportunities for small and medium-sized undertakings.

● The Italian state industrial holding company IRI has signed a five-year agreement with the Soviet Union in Moscow on scientific co-operation in energy production and engineering, Reuter reports.

IRI subsidiaries Finmeccanica and Finsider are negotiating with the USSR for contracts to supply steel plants and equipment and for collaboration in the nuclear energy sector.

Chrysler may build in Austria

BY PAUL LENDVAI

VIENNA, Jan. 22.

THE HEAD of the holding company for Austrian nationalised industries, OIAG, Dr. Franz Geist, has confirmed that Austria is now engaged in serious negotiations with Chrysler, the U.S. motor company, about the erection of an assembling plant in Austria. According to Press reports the plant would have a capacity of 100,000 cars per annum.

The current talks follow the failure of a much-publicised plan to produce a so-called "Austro-Porsche" limousine under German licence. According to the original plans, Austria would have turned out 50,000 units by 1983. However, the lack of a proper service and marketing network and the reluctance of the German side to allow the use of the Porsche brand name proved to be unsurmountable obstacles.

Later, Dr. Geist also conducted apparently abortive talks with Mitsubishi, the Japanese motor company. This time however Dr Geist refused to reveal any further details about other potential partners and financial backing.

Meanwhile, the car plans, personally favoured by Chancellor Bruno Kreisky, would seem to be the reasons for the announcement that contrary to earlier rumours Dr. Geist, 67, who heads OIAG since 1971, will have his contract prolonged for one or two years. He was scheduled to retire on March 31, this year.

Dr. Geist confirmed that OIAG will acquire a minority interest in the production subsidiary to be erected by the French motor company Renault at Gleisdorf in the province of Styria. For the time being the plant will produce only car component parts, providing jobs for 300 people.

The French firm will hold 51 per cent. of the Sch 20m. capital. The leading Austrian bank Creditanstalt and the Elssaesische Bank will each have a holding of 13 per cent. It is rumoured that the holding company for the nationalised industry would acquire the rest of the capital.

Jenkins backs North-South talks

BY LORNE BARLING

KHARTOUM, Jan. 22.

MR. ROY JENKINS, president of the EEC Commission, put new life into the North-South dialogue with a warning that world stability depended on mutual support between the developed and developing countries. Mr. Jenkins, speaking here at the opening of the Khartoum International Trade Fair, said he had expressed these views to President Carter during their discussions in Brussels two weeks ago and made it clear that progress on the issue must be made this year.

The Sudan he said, had a vital role to play in achieving this during its forthcoming term as chairman of the Organisation of African Unity.

His comments come at a time when both the EEC and Lome Convention countries are working out their positions for the renegotiation of the agreement later this year and follow the recent failure of the Paris North-South dialogue. Nevertheless, Mr. Jenkins said the Paris talks were useful in some ways and should continue. "We are prepared to make the effort, both in terms of will and of adjustment of our interest But progress must be made soon The momentum must not be lost," he said.

Adaptability

The immediate advantage of the Lome Convention, which included African, Caribbean and Pacific countries, was its adaptability and the basis of mutual interest which had evolved. "The mutual support of the industrialised and developing nations is an absolute prerequisite for the political and social health of the world as a whole," he said.

"The stability of world trade is delicately poised. The problems could help provide the impulse to tilt the world economy in the right direction. This seemed to indicate that in the Lome renegotiations the EEC will seek to gain some concessions from member countries which will ease the import burden on the more depressed industries in EEC countries.

The areas of future "co-operation" within the Convention are seen by Mr. Jenkins in six categories. These are agricultural and food production, medium sized industries to use local raw transport (which has held up past development), energy (with an emphasis on solar power) and finally the serious African problem of desert encroachment.

Chinese to attend Indian trade fair

BY K. K. SHARMA

NEW DELHI, Jan. 22.

A FIVE-MEMBER delegation from China is to visit the second Indian Engineering Trade Fair beginning here on February 1 for a fortnight. The Chinese are on a buying mission for the first time since the 1962 border war.

The Chinese delegates represent the Light Industrial Production Corporation, the Import and Export Corporation, the Metals and Minerals Corporation, the Machinery Import and Export Corporation and the Technical Import Corporation, which suggests the Chinese are interested in importing both engineering goods and technology from India.

India's state trade organisations sent representatives to the Canton fair a couple of months ago and the Chinese have reciprocated very much in the manner in which they have responded to political feelers which led to resumed diplomatic relations at ambassadorial level and cultural exchanges. A trade delegation is considered more significant.

The fair is being organised by the Association of Indian Engineering Industry, which proposed to make it a regular feature in the hope that it will not only provide a show-window for the country's growing sophistication in engineering goods but also a forum for business exchanges. It is hoped that at least Rs.500m. (about £30m.) worth of orders will be placed.

About 200 Indian engineering companies will display their products and capability to project technology developed in India which, the association feels, is particularly suited to the needs of third-world countries which have not reached the stage of development to be able to absorb sophisticated Western know-how.

Prime contractors from Western countries are also attending to determine the scope for farming out subcontracts to Indian engineering companies. Such deals have already achieved considerable success in the Middle East and African countries, particularly for jobs that require labour-intensive skills or technology that the West no longer considers economical.

Of India's total exports worth Rs.49bn. in 1976-77, engineering exports accounted for Rs.5.5bn or 11 per cent., compared with just 7 per cent. in 1973-74.

Contracts

● A $17m. pan-Arab training centre for computer and telecommunications specialists will be built at the new Amman polytechnic training centre, with money for the project to be provided by the Arab Fund for Economic and Social Development. It will serve the needs of all Arab countries, and was decided upon at a conference of Arab education ministers in Abu Dhabi at the end of last year. It is hoped that the new institute will be operational within one year.

● A $2.3m. contract to build and manage a prestressed precast concrete flooring plant in Riyadh has been won by Hollow Core Systems (Mid-East) for Saif Norman Said and Partners, a consortium of contractors and banking interests.

● Volkswagen has placed an order for hybrid electronic ignition modules with Fairchild Camera and Instrument. Delivery will begin this July for installation in 1979 Volkswagen models produced in Western Germany and marks the first use of a hybrid electronic ignition system in a European car.

● Renault Vehicules Industrials has received an order from Sudan for 75 Berliet buses to be delivered to the town of Wad Medani.

● VMF-Stork's Stork Friesland division has won a contract worth about Fls.10m. for a complete factory producing instant powdered baby foods based on milk and whey from the New Zealand Co-operative Dairy. Design, construction and delivery will take about a year. It will produce 6 tons of baby food an hour.

World Economic Indicators

INDUSTRIAL PRODUCTION 1970=100

	Nov. '77	Oct. '77	Sept. '77	Nov. '76	% change on year
France	127.0	122.0	126.0	128.0	−0.8
Italy	124.5	128.1	132.9	130.6	−4.7
W. Germany	125.3	120.5	116.3	122.9	+2.0
Holland	125.0	126.0	126.0	127.0	−1.6
U.K.	102.1	101.5	102.7	103.0	−0.9
U.S.	133.3	132.8	132.4	125.7	+6.0
	Sept. '77	Aug. '77	July '77	Sept. '76	
Japan	130.2	129.2	128.0	126.7	+2.7
Belgium	118.2	108.7	76.1	122.5	−3.5

EEC team visits Jordan

By Rami G. Khouri

AMMAN, Jan. 22.

OFFICIAL talks are underway here between Jordan and a delegation from the EEC on implementation of the $50m. trade-and-aid agreement signed between the two parties last year.

It exempts Jordanian industrial products from customs duties in EEC countries, and reduces duties on Jordanian agricultural exports by between 30 and 50 per cent. The accord includes some $24m. in EEC grants and $26m in credits from the European Investment Bank and soft loans.

U.S. radio decision

The U.S. International Trade Commission (ITC), in a five-to-one decision, ruled that imports of transceiver (Citizens Band) radios from Japan and other countries are injuring domestic producers. It will meet again next Friday to consider what import restrictions it will recommend to President Carter. Domestic producers are seeking an additional 50 per cent. import duty on the radios. The current duty is about 6 per cent. Imports of these radios, primarily from Japan, totalled more than $475m. in the first nine months of 1977.

New Saudi shipping line

By Ian Hargreaves, Shipping Correspondent

A SAUDI-ARABIAN shipping line has been formed with the intention of capturing for itself between 40 and 50 per cent. of the country's rapidly growing seaborne trade.

Operating under the title of The National Saudi Shipping Lines (NASA) the company says it intends during the next two years to expand from its present basic services between Europe and the Red Sea and the Persian Gulf to regular routes between Saudi Arabia and both the U.S. and the Far East.

Such an expansion would challenge the position of a number of major European and American cross-trading shipping lines and would require a substantial growth in the NASA fleet. This would involve a mixture of chartering and new ships. The company is already negotiating with Japanese shipyards for the supply of three container vessels of 400 TEU capacity for its Southern Europe-Red Sea service.

Mr. Manfred Ricke, a director of the Hamburg-based Unimar company, which is acting as advisor and ship manager to NASA, said the future fleet expansion would depend on the state of the charter market. With rates at their present slump levels, chartering was more attractive than new building.

NASA has operated in its first few months of life with a capital base of U.S.$4m., but Mr. Ricke said in London that the company had authorisation to increase this to $120m. for the first phase of ship purchase.

The owner of the company is the Al-Quraishi family which has powerful connections in the Saudi industrial and economic establishment. The Al-Quraishis say the operation of their shipping line will not be entirely commercial, but that it will aim to contribute to the national fight against inflation by holding down shipping rates from Saudi ports.

This statement comes less than a month after container lines on the U.K.-to-Jeddah service announced that they would be enforcing minimum charges in an attempt to prevent any further pressures on their margins.

Air traffic increase

By Lynton McLain, Industrial St[...]

TOTAL SCHEDULED traffic on world airlines in 1977 was 8 per cent. above the 1976 level. While this was below the 10 per cent. growth rate recorded in 1976, it was better than the 6 per cent. and 5 per cent. increases in 1974 and 1975.

Last year airlines carried 620m. passengers for a total of 822bn. passenger-kilometres. New seat capacity rose by 6 per cent., indicating an improvement in the average passenger load factor from 60 per cent in 1976 to 61 per cent. last year.

Air freight increased by 9 per cent. in 1977. This compares with an 11 per cent. growth in 1976. Air mail increased by 4 per cent., about the same as in 1976.

Venezuelan warning on imports rise

By Joseph Mann

CARACAS, Jan. 22

VENEZUELA'S foreign trade board, the Instituto de Comercio Exterior (ICE) warned that the country's growing import trend presents "worriesome aspects which should be attended to urgently in order to avoid negative effects over the short term."

The institute's comments came shortly after the Central Bank estimated that total imports for 1977 would surpass the previous year's figure of $6.4bn by 30 per cent, reaching $8.4bn. The latest estimate, the highest import total in Venezuela's history, likely to give the country an overall balance of payments deficit of some $100m. — the first since 1967. Exports in 1977, according to the Central Bank, amounted to $10.06bn, up 6.9 per cent. from 1976.

ICE, the latest group to sound the alarm over Venezuela's apparently uncontrollable [...] for imports, suggested that the situation could be improved if the public sector were to "rationalise" its import programme. The institute, itself a Government agency, also recommended that Venezuela make its import policy compatible with the Government's international economic policies. This latter point was not made clear it could mean that Venezuelans should pay more attention to purchasing goods from non-traditional clients, especially members of the third world club.

Since Venezuela saw its revenue from oil income rise sharply in 1974, The Government has been spending massive sums on importing capital goods and technical services destined for its grandiose development programme. At the same time, though, Venezuelans have been buying luxury goods from abroad on an unprecedented scale.

The combination has produced dramatic increments in Venezuela's import bill and a fast-shrinking trade surplus. In 1973, according to official figures, imports totalled $2.5bn, rising to $3.7bn. in 1974, $5.3bn in 1975 and $6.4bn. the following year.

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HOME NEWS

Pressure grows to block price curb loophole

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

[THE] GOVERNMENT is coming [und]er pressure to abolish the [pro]fit safeguard provisions [wri]tten into the new price con[tro]ls.

[M]r. Walter Johnson, Labour [MP] for Derby S., is to table a [mo]tion calling on it to plug the [loo]phole in the system which [all]ows companies to increase [the]ir prices while being in[ve]stigated by the Price Commis[sio]n.

[T]he thinking behind the pro[po]sal is likely to meet with some [sy]mpathy from Mr. Roy Hatters[ley], Prices Secretary, but it is [hig]hly unlikely that any action [wil]l be taken before the next [Pa]rliamentary session.

[S]uch a change would have to [be] debated, and voted on, by the [wh]ole House.

[T]he motion seems to have [be]en precipitated by the an[no]uncement last week that Allied [Br]eweries was being allowed to [rai]se its prices by 2p a pint in [spi]te of the fact that the pro[po]sed increased was being in[ve]stigated by the commission.

[T]his was the latest in a series [of] examples which have shown [th]at most companies can get at [lea]st two-thirds of the increases [ori]ginally proposed by invoking [th]e profit safeguard provisions.

[T]he original idea behind the [co]ntrols, introduced in August, [wa]s that price increases should [be] frozen during one of [th]e Commission's three-month [in]vestigations.

Mr. Hattersley was always opposed to the principle of numeric safeguards, arguing that they were incompatible with the new discretionary system of controls and that the good sense of the commission members would be enough to ensure that companies did not suffer unnecessarily from the effects of an investigation.

Industry, supported by the Tories, maintained that such assurances were totally inadequate and that companies must be given some statutory protection against the effects of one of the commission's investigations.

The result was a complicated formula related to a company's historic profit on a product.

The most generous of these two safeguards comes into effect during an investigtion, while the second—as yet to be tested—becomes effective once the commission has made its recommendation.

Over the last two months, Mr. Hattersley has become increasingly concerned about the way the safeguards were operating. Even before the Allied Brewery case, the Department of Prices was studying the situation.

The Allied increase must have been particularly irritating to Mr. Hattersley, since it was the brewing industry which most graphically illustrated the limitations of the Minister's power under the old controls.

British Rail likely to order two ships

BY KEVIN DONE

ORDERS FOR two ships worth a total of about £28m. are expected to be placed by British Rail this year for its Dover to Calais services.

Approval for the first order will be given to-day by Mr. William Rodgers, the Transport Secretary, and discussions are under way between the Department and the British Rail Board on the second order.

No decision has been made about where the ships will be built, but the orders are certain to go to a U.K. yard. The favourite is Harland and Wolff in Belfast, which last year received an order for a similar ferry from British Rail for the Stranraer-Larne Irish Sea route.

British Rail said yesterday that talks had been started with Harland and Wolff on possible follow-up orders. It had not yet entered discussions with any other British yards.

Its Sealink fleet numbers about 68 ships, including those vessels run by its Continental partners. The Department of Transport said yesterday that traffic on the Dover-Calais route had been expanding steadily.

The new vessels are likely to enter service in 1980. They will be about 5,500 tons with capacity for up to 1,000 passengers, 300 cars and 60 large commercial vehicles. By the middle of this year British Rail should have three multi-purpose ships under construction in U.K. yards.

Harland and Wolff has an order book worth about £180m., with two super tankers, two oil products carriers and one bulk carrier under construction.

It is in a healthier position than many U.K. yards and took orders last year totalling £82m. Apart from the British Rail order for a ferry for the Irish Sea route it also has orders for two liquefied petroleum gas ships, for eventual charter by Shell.

Tories warned 'Don't exploit race'

By Richard Evans, Lobby Editor

MR. MERLYN REES, Home Secretary, attacked the Conservative Party yesterday for planning to use the sensitive issue of race relations to attract votes at the next election.

He warned Mrs. Margaret Thatcher, Conservative leader, that although immigration touched a raw nerve in the community and could be exploited easily, to use race as a political instrument would be playing with fire.

Mr. Rees's warning, made at the Co-operative Party conference in Brighton, came after reports last week that Mr. Keith Speed, a junior Conservative spokesman on home affairs, was preparing a policy document for the Shadow Cabinet that would involve much tougher controls on immigration.

The reports were countered by Mr. William Whitelaw, deputy Conservative leader, who insisted that no policy decisions had been taken and that the party retained its commitments on the right of British passport holders to settle in the U.K. and the right of close dependants of immigrants since January 1, 1973, to come to Britain.

Nevertheless, Mr. Rees's speech makes it clear that Ministers expect the issue to feature in the next election campaign and they suspect that some Conservatives, particularly in the Midlands, will make as much political capital as they can.

The Home Secretary said the approach of an election always meant that bogies would be created by the Tories and he forecast that this time there would be a "bash the immigrants" theme.

More home news on Page 42

Tanners challenge State stake

BY MARGARET REID

CLAIMS by 14 tanning companies that the National Enterprise Board's partnership with Barrow Hepburn Gale in British Tanning Products is unjustifiable under the Board's guidelines and that it affects rival concerns unfairly will be argued before a High Court judge this week.

The case follows the State-owned Enterprise Board's £3m. investment early last year to take a half stake in the new British Tanners, which took over the loss-making tanning interests of Barrow Hepburn. British Tanners is jointly owned by Barrow Hepburn and the Enterprise Board.

The 14 rival tanning companies contend that this investment by the Board was contrary to its guidelines, which require it to act on a commercial basis.

They consider Barrow Hepburn's tanning interests had not shown enough profit-making capacity for the Board to have been justified under its rules in making the investment.

The tanners also allege that the terms on which British Tanners sells products are low enough to affect the market to the detriment of competitors, and that this should not happen where public money is behind an enterprise. However, on the other side, it could be argued that market conditions are essentially influenced by cheap imports.

Directors will move HQ with help of Syrian finance

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

SYRIAN GOVERNMENT finance will play a part in paying for the Institute of Directors' move to new headquarters in the former United Services Club in Pall Mall, London.

Plans for a business centre and members' club in new premises, are announced by Mr. Jan Hildreth, director-general, in the Institute's magazine, Director.

Temporary finance to fit-out the building comes in the form of a £500,000 loan from the Institute's new landlord, the Crown Estate Commissioners. But that loan will be more than covered by the sale of the Institute's former offices in Berkeley Square, W.1.

After protracted negotiations with the Venezuelan Government, the Institute has accepted a last-minute offer from the Syrians for 8 Berkeley Square. This site will become the Syrian Embassy.

The Institute which has been using four adjacent Berkeley Square properties as offices, said that rent reviews on two of the buildings recently increased an historically low rent by 1,000 per cent. That increase, and the opportunity to sell the Institute's leasehold interest in the other two buildings, prompted the the move.

The Institute has announced the sale of its interest in 5 Berkeley Square to the Plastics Federation, but its main saleable asset has been a 55-year lease on number 8—a 10,000 sq. ft. building leased for a negligible rent until 2033. It is this building that appealed to both the Venezuelans and the Syrians.

The Syrians stepped in with their offer while talks with the Venezuelans were still in progress, but the Institute dismissed talk of gazumping.

The result of the deal is that the Institute's new offices will be fitted with a wide range of business services for members. It plans to maintain some of the United Services Club's dining facilities and bedrooms.

Christmas outlay halves National Savings inflow

BY ADRIENNE GLEESON

[C]HRISTMAS spending left the [ne]t inflow into National Savings [in] the five weeks to the end of [la]st month at only half the [in]flow in the preceding four-[w]eek period. But the £61.6m. [fi]gure represents a dramatic [im]provement on the perform[a]nce for December, 1976, when [n]et receipts amounted to only [£]16m.

Several National Savings [in]struments did well during [D]ecember. There was a net in[f]low of £24.4m. into National [S]avings Certificates, and one of £11m. into British Savings Bonds.

But the National Savings Bank—still benefiting from relatively high interest rates—proved the star attraction. The net inflow was £35.3m.—only £3.5m. short of the figure for November. In December, 1976, there was a net outflow of £26.8m.

In the 40 weeks of the financial year so far, the net inflow into the National Savings Bank has amounted to more than £392m., against an outflow of £71m. in the corresponding period of 1976-77.

Oil tanker pollution policy under attack

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE FIRST public clash over the Government attitude to oil tanker pollution will take place this week during a Lords debate.

Lord Ritchie-Caler, chairman of the Advisory Committee on Oil Pollution of the Sea, will open the debate with a critical look at the Government position prepared for presentation of next month's London conference. of the Intergovernmental Maritime Consultative Organisation.

The central proposition before the organisation, the maritime agency of the United Nations, is a U.S. demand for more sophisticated oil-tanker design and compulsory installation of certain navigational aids such as reserve steering systems and more advanced radar.

The most controversial design changes suggested is the mandatory retrofitting of all tankers over a certain size with segregated ballast tanks.

These would be designed to prevent routine pollution of the seas by tankers discharging oily sea water from their tanks on the approaches to an oil loading point.

The British Government, in line with its existing policy, will oppose this item at the conference and intends to back what seems certain to be a majority view in favour of cheaper anti-pollution moves.

These methods are known as crude oil washing—a relatively new technique for cleaning oil cargo tanks before sea water ballast is taken on board—and "load on top," which separates oil and water in the ballast tanks and allows safe disposal of oil waste to onshore slops tanks.

The Government has calculated that compulsory segregated ballast tanks would cost the U.K. fleet £150m. to convert and a further £150m. a year in reduced trading efficiency because cargo-carrying capacity would be cut. Taken together, it estimates that these two factors would increase the price of imported oil by 2 per cent.

Phillips to drill new well

By Ray Dafter, Energy Correspondent

PHILLIPS Petroleum is to drill another well on its Maureen Field structure in the North Sea before taking a decision on commercial development.

The group is expected to order a steel platform later this year for the exploitation of the field, which lies in block 16/29, close to the U.K./Norway medium line and 150 miles north-east of Aberdeen.

First, however, Phillips wants to evaluate further the producing zones. It is chartering a semi-submersible rig to undertake the exercise.

So far, three wells have been drilled on the Maureen structure. The discovery hole sunk five years ago tested oil at rates of 2,300 to 3,600 barrels-a-day while the second appraised well produced 10,000.

Within the industry, it is estimated that Maureen has recoverable reserves of 175m. to 225m. barrels, although this unconfirmed estimate might be revised following the proposed well.

LABOUR NEWS

Back-dating dispute over miners' incentive payments

BY OUR LABOUR STAFF

NEW PROBLEMS are mounting for pit productivity talks covering Yorkshire's 66,000 miners.

A row is emerging between Yorkshire area leaders of the National Union of Mineworkers and National Coal Board management over whether a handful of local collieries should get a back-dated incentive scheme because they made applications before the coalfield ballot earlier this month.

The ballot finally gave the go-ahead for productivity talks.

Mr. Arthur Scargill, the Yorkshire NUM President said last night that union negotiators had made it clear to the Board that they were not prepared to sign any agreement which did not *give a common starting date for* all collieries.

The Board and NUM branches in Yorkshire knew no action could be taken on a productivity scheme until the result of the coalfield ballot was known. Yet the Board had apparently encouraged some branches to make early application for a productivity scheme by offering to back-date the start of the scheme to the date of their initial application.

To-day's meeting of the NUM Yorkshire area council is expected to endorse the demand for a common starting date.

At the same time, industrial action is being threatened at 19 Yorkshire pits by a group of workers demanding equal incentive payments for all miners.

They have set local leaders of the NUM an April 1 deadline to achieve this, but have called off unofficial strikes, which left 2,000 men idle.

Development and face workers will receive a 100 per cent. incentive payment. Other underground workers will get 50 per cent. and surface workers, including the winders, who led last week's strikes, 40 per cent.

The winders' North Yorkshire branch met yesterday. About 76 of North Yorkshire's 100 winders attended.

They agreed to put an emergency resolution to to-day's area council meeting.

*In it, they demand equal in*centive payments for all pitmen. They set April 1 as a deadline for achieving this, with the threat that they will ballot their North Yorkshire members at the 19 pits with a view to industrial action if their demands are not met.

● More than 400 miners at Elsecar workshops near Barnsley yesterday called off their six-week strike.

The men, who say they suffer one of the worst accident records in the coal industry, decided to return to work after the National Coal Board agreed to improve first-aid coverage for night shift workers.

Key talks on Stoke steel plant to-day

BY NICK GARNETT, LABOUR STAFF

TWO IMPORTANT meetings are expected to-day over the future of the Shelton steelworks, Stoke-on-Trent, threatened with closure under the British Steel Corporation's cost-saving plans.

Mr. Gerald Kaufman, Minister of State for Industry, is due in Stoke to meet the Shelton action committee and the city's three MPs.

Mr. Hector Smith, general secretary of the National Union of Blastfurnacemen, is also scheduled to meet his members at Shelton to discuss their attitude to redundancy payments and to any attempt to join a campaign to save the works.

There are fears among some of the Shelton workers that closure of only the blast furnaces at Shelton would probably spell the end of the whole plant.

Mr. Smith said he would try to obtain a jobs guarantee and that his aim was simply to get the best deal for his members.

Steelworkers at Corby, Northamptonshire, voted at the week-end to support any industrial action called for by union leaders on their pay claim of about 10 per cent.

Mr. John Cowling, Iron and Steel Trades Confederation national executive member and convenor at Corby said that the *men were clearing the deck* "ready for a fight."

British Steel said this month that it would increase its 6 per cent. pay offer only if the unions agree to early closure of high-cost plants.

Mr. Cowling said that up to 1,200 jobs at Corby were already earmarked for axing and the workers were in a mood to strike over pay.

Sun Alliance threatened by pay code blacklist

BY PHILIP BASSETT, LABOUR STAFF

*THE DEPARTMENT of Employ*ment is considering putting the Sun Alliance insurance group on its pay code sanctions blacklist because of a change in the group's staff pension scheme.

Sun Alliance staff settled for a 9.9 per cent. pay increase in October and the Department claims that because the group has made its pension scheme non-contributory—staff have paid no pension contributions since September—it has given the staff the equivalent of a further 3 per cent. pay rise. which in total breaks the Government's pay guidelines.

The Government could refuse to allow price increases in the group's motor insurance premiums. Sun Alliance says it has no increased planned—but General Accident is increasing its motor premiums on February 1 and Sun Alliance could want to follow suit.

Sun Alliance said that its pension change put it in line with others in the financial sector. The group's staff association said the move was within the pay guidelines because improvements to pension schemes were allowable.

Tallest tower unprotected by sprinklers

THE NEW National Westminster Bank office tower in the City of London—Britain's tallest—will be unprotected by an automatic sprinkler system.

Sprinkler systems are required in all new offices of this size, but the NatWest building was under construction when the rule was introduced, in March, 1976.

The 600 ft. building, however, is equipped with smoke detection devices centrally monitored day and night.

Fire officers who approached the bank and its architects were satisfied that for technical reasons it was too late to make the changes.

European interest rates will stay low, bank forecasts

BY KEVIN DONE

INTEREST RATES in most parts of Europe moved downwards in the month to mid-January, according to the latest analysis published by Williams & Glyn's Bank.

Official discount rates were reduced in West Germany, Belgium, Luxembourg and the U.K., and other short-term rates came down in Switzerland and Italy.

Against this trend, however, Norway raised overdraft and commercial paper rates.

The West German moves—a lowering of the discount rate from 3.5 per cent. to 3.0 per cent. and a cut in the Lombard rate from 4.0 to 3.5 per cent.—were among measures designed to stem the inflow of funds associated with the weakening of the U.S. dollar.

Belgium's decision to cut the official discount rate to 8.5 per cent. from 9.0 per cent. reflected an easing of pressures on the Belgian franc.

The rise in Norwegian overdraft rates by 1.5 per cent. to 8.5 per cent. followed the authorities' abandonment of their low interest rate policy at the beginning of December.

Tories' Ulster spokesman branded 'rabble-rouser'

BY GILES MERRITT

DUBLIN, Jan. 22.

MR. AIREY NEAVE, Conservative spokesman on Northern Ireland, was strongly rebuked at the week-end by one of Ireland's most prominent politicians for his latest contribution to the Anglo-Irish "war of words" that has followed a controversial broadcast a fortnight ago by Mr. Jack Lynch, Eire Prime Minister.

Mr. Richie Ryan, formerly Finance Minister in the Cosgrave Government and now the Fine Gael Opposition spokesman on foreign affairs, branded a speech by Mr. Neave as "ill-informed, anti-Irish rabble-rousing."

Reacting to reported suggestions in the speech that the Irish people living in Britain might lose their "privileges," Mr. Ryan said Mr. Neave was one of a small number of chauvinistic politicians in England "who know little about Ireland and understand even less."

● Our Belfast Correspondent writes: The World Peace Council, a non-government member of the United Nations, is to investigate continuing allegations of brutality made against the police and Army in Ulster. A four-man team will arrive in Belfast on Friday to interview politicians, doctors, lawyers and members of para-military organisations.

Oil wealth 'should help poor nations'

By Reginald Dale

THE BENEFITS of North Sea oil should be shared with poor Third World nations, Mr. Frank Judd, Minister of State at the Foreign Office, said at the week-end.

It would be a betrayal for Britain to turn its back on the world as the oil became available.

Mr. Judd said that the country's oil wealth should be invested wisely and that part of the profits should be used to finance a more generous overseas aid programme.

Britain should also make a genuine commitment to justice in world trade, he said in a speech in Hounslow to mark India Republic and Racial Equality Day.

There would be unacceptable contradictions in any policy that said to the poor of Asia, Africa or Latin America: "Here is a little charity to treat some of the symptoms of your poverty, but if you dare to start standing on your own feet and establishing your own industries to compete with ours we shall knock you down again among the poor."

Britain must give more attention than in the past to the need for a strategic restructuring of industry. "If we can't do that in our age of oil, we never shall."

Turning to problems of racial and social injustice, Mr. Judd said it would be "sick" for people in Britain to lament the absence of human rights in Russia, Eastern Europe, Africa, Asia or Latin America if they made only half-hearted efforts to guarantee them at home.

CONTRACTS AND TENDERS

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

How the DHSS utilised the ingenuity of its employees

Scheme that saved millions

A MAJOR Government department has given a new twist to that traditional employee participation standby, the staff suggestion scheme. The Department of Health and Social Security, with over 90,000 staff and nearly 600 local offices scattered throughout the U.K., has just concluded the first stage of a scheme which has produced several millions of pounds in cost savings and greatly simplified the complex web of social security procedures.

Instead of the basic civil service staff suggestion scheme, which attracted interest in the DHSS from only a small percentage of staff, the Department decided that a more effective catalyst was needed to focus the staff's attentions on the very real problems associated with a fast growing bureaucracy. So many instructions and procedures have been formulated to deal with the growth of social security legislation in the 1970s, that a very large cupboard is needed in each office to house all the headquarters' instructions.

Consequently, in 1973, the Department set up a joint union and management working party aimed at utilising staff ideas on how to reduce the plethora of paperwork. Unlike the staff suggestion scheme, however, the working party did not offer financial rewards for ideas.

While traditional suggestion schemes put the onus squarely on staff to come forward with ideas which were mainly intended to produce financial savings, the departmental working party asked staff for any ideas at all on reducing the complexities of procedures. Any cost savings that followed were an extra bonus.

According to a departmental report on the project "the working party can claim to have simplified departmental procedures, to have eased the work burden, to have achieved economies, to have brought about greater staff participation, and to have given the taxpayer better value and the citizen a better service."

The report adds: "It has done these things, not by the construction of a grand design, not by super-planning, but by seeking and making use of the thoughts of its staff."

The impetus for taking this action stemmed from the sinking morale in the Department in the early 1970s, and which led to the first ever civil service strike in the DHSS in 1972. Simplifying work procedures was seen as one of a number of ways of improving morale.

Staff views were collected in three ways. A general circular was sent to all staff inviting their views on simplifying the administration of social security. Then the civil service unions were asked for their views after consulting members. And, finally, the working party worked through the formal hierarchy.

Regional controllers were asked to put forward views on the areas of the system which were most likely to reap early rewards. At the same time Whitehall officials examined how central control of the regional office network could be relaxed.

About 8,000 suggestions were submitted to the working party but many were duplicated. The ideas were whittled down to 620 separate ideas which merited serious consideration and of these, about 200 have been adopted and some 70 are still being examined. Ideas came roughly half and half from management and staff.

A "management" suggestion, for example, has saved about 30,000 man days a year by replacing the procedure under which social security claimants' rents were paid with a combination of supplementary benefit and rent rebate, to one of just benefit alone.

A scheme which was suggested by 10 separate staff employed as far apart as Penzance and North Shields resulted in a change in time limits for claiming maternity benefits. Instead of two different limits, one common time limit for both the grant and allowance has saved 6,167 hours of staff time, 185,000 forms and franked labels, valued at nearly £25,000 annually.

The project was not primarily aimed at cutting staff costs but those people whose ideas produced substantial savings were rewarded as a percentage of money saved on the same scale as applied to the suggestion scheme. Of the 200 ideas adopted, some 60 were referred for awards. These 60 produced quantifiable savings of £360,000 in the first year alone and, of the remaining 140, for which cost savings cannot be quantified, one idea alone is saving £500,000 a year. The total annual savings from the project is estimated at several millions of pounds.

Although the working party completed the first stage of its report earlier this year, the success of the project has meant that it is remaining in operation. But now, instead of the general approach, it is concentrating on specific improvements in problem areas.

Meanwhile, the traditional staff suggestion scheme has itself benefited since officials report that a steady improvement in both the numbers and quality of staff suggestions has taken place concurrently with the new scheme.

David Churchill

EXECUTIVE HEALTH — BY DR. DAVID CARRICK

The chigger may be irritating, but it's nothing to be ashamed of

HOWEVER long one practises medicine, surprising incidents still happen and so enliven the prosaic path of physick.

Sometimes these take the form of unexpected successes: more often of frustrating failure. And no branch of the art provides a richer crop of weeds—interspersed with rare flowers — than dermatology, where nature seems to triumph either with or despite our help.

It was in this field that I encountered a unique surprise not so very long ago. The patient was a most comely damsel who complained of severe itching on her legs. Certainly she had spots and scratches which marred those lissom limbs. I was tempted to tell her she was suffering from an excoriated, erythematous, maculopapular eruption of idiopathic origin—which would have been true as that high-falutin' prattle only means that she had red spots which she had scratched and that I had no idea of the cause.

Being stupidly honest, I did not; instead I followed the technique of my old teacher, and gazed at the things through a magnifying glass. Then it was that I received a shock: the spot I was concentrating on suddenly got up and ambled off!

Thus, by sheer luck, I had the diagnosis. The girl had been invaded by chiggers, or harvest mites, which although usually attached to small quadrupeds, will make do with humans. I told the girl and she was horrified and insulted. She said that "only dirty people caught things," and was only convinced when I showed her my prize under a microscope.

This made her no happier, and she asked how on earth could she catch such "beastly creatures?" Somewhat tactlessly I asked whether she had been in the long grass recently. "Certainly not!" she snapped, blushing, "What do you take me for?"

Eventually we settled for her fiancee's cat having transmitted the mites from the fields to her fair legs. However, she was still much disturbed and asked me to promise "not to tell Daddy" who is something remarkably important in the City—or so he tells me.

Naturally I assured her, but hid the fact that I now had *two* secrets to keep in one family. You see, one week before, I had the difficult task of telling her "daddy" that *his* spots were due to fleas, and had also been sworn to absolute secrecy!

Treating the girl was easy: the father's problem was greater. He had not been attacked by the human flea *(Pulex irritans)* but by *Ctenocephalides canis* or *felis* (marvellous words for crossword compilers: nightmares for compositors) which had left one of his dogs or cats to taste the good life.

As a general rule, each species has its own fleas, and only in times of dire distress (as when the host dies) do they make do with foreign food until they can get a lift on a suitable quadruped. Recently, however, there seems to have been a change. Dog and cat fleas are increasing and taking great delight in humans. They are able to live in carpets (even in the edges of fitted-carpets beyond the reach of some vacuum cleaners) and other materials and recesses including, one might suppose, seats in trains which do not always seem to receive maintenance treatment of a high order.

Fortunately the fleas seldom stay long with their unusual hosts because they cannot breed in alien lands and do not care to be sterile lotus-eaters. DDT is no longer generally available but various powders and sprays are readily available to end their tiny lives. Their bites can be treated with anti-itching creams and ointments and, save in very rare circumstances, they are only vexing, not dangerous.

But I do wish that people would not regard them as shameful. Like microbes, they respect neither colour nor creed; the rich or the poor; the fat or the thin. The one major difference is that they are visible and more irritating and, in this country, as opposed to the rumbustious, scratching, 17th- and 18th-centuries, quite peculiarly embarrassing.

Insight into salary surveys

By Nicholas Leslie

ONE OF the disadvantages of executive salary and benefits surveys is that there are so many of them. They tend to use different bases and are not presented in a common format —which makes it difficult for those whose job it is to monitor developments in this area to assess which surveys are going to be of most use to them.

Some light is shed on this problem by a new "Guide to Salary Surveys 1977," which is published by Incomes Data Services. It embraces 40 U.K. and 16 international salary surveys covering executive, professional, technical and clerical staff in both commerce and industry. In all, surveys produced by 39 different organisations are covered, including most of the major ones. While this covers a good range, it is not totally comprehensive—which is itself a measure of the difficulty of establishing how useful these surveys are.

As the publication itself states, no formal evaluation is made of each survey, but those covering the U.K. are commented upon in order to provide some indication of their validity and reliability.

The guide deals with surveys under different headings, including accountants, advertising, architects, banking, biologists, catering, chemists, computer staff, engineers, insurance, office staff, and other professional and executive people. The biggest section deals with management surveys and those afforded more favourable comment include the British Institute of Management's National Management Survey, 1977; Inbucon-AIC's Survey of Executive Salaries and Fringe Benefits, 1977; and Hay-MSL's Report and Salary Policy Guide for Management, 1977.

Country by country surveys cover Austria, Denmark, France, the Irish Republic, the Netherlands, Norway, Spain, Sweden, Switzerland, and West Germany. There is also a section dealing with "club surveys." These are carried out privately by companies to determine market rates for a number of key, or benchmark, jobs. Four of these are covered — Kodak, Ford Motor Company, Pedigree Petfoods, and Rank Xerox.

Guide to Salary Surveys 1977, published by Incomes Data Services, 140 Great Portland Street, London, W1, price £1.50 (available to subscribers only).

Keeping surprises out of business

TO ENABLE valid comparisons to be made between constituent companies within a group for the purpose of allocating resources it is necessary to apply common assumptions on economic and other factors. But at the same time the uncertainty of such assumptions must be measured to enable prudent provision to be made for the unexpected.

This was the view put forward last week by Mr. W. J. Chandler, director of planning at Reed International, the paper and industrial group which also takes in the International Publishing Corporation. Speaking at a Society for Long Range Planning seminar, he commented that it was not possible to stop the turbulence in the environment, but "in managing our business we should try to be as surprise free as possible."

Mr. Chandler told the seminar that Reed, when initiating its planning approach, had to provide common assumptions in order to secure consistency of approach. This was not because it was believed that any particular forecaster was accurate but the whole approach to planning was to allocate a limited resource among a wide range of different businesses. Indeed, later in his talk he said that in assessing the implications of certain forecasters "we found that there appeared to be little difference between the impact upon our results notwithstanding that they were far from identical."

But that was not to be proposed as a general rule: clearly different forecasts had to be tested against their impact upon the corporation and an examination made of those which threw up major changes in profitability.

Mr. Chandler said that in drawing up its plans Reed used models dealing with eight major economies around the world within which it operated and also linked its products to demand in those countries. The second process was the more difficult and he warned of the dangers of regression analysis in trying to model how products reacted to changes in demand. "We all know the nonsense that can be generated by forecasting purely on the basis of a high correlation between two time series," he said.

Nicholas Leslie

Costly vacancy filling

THE CONSIDERABLE costs involved in a high labour turnover within a company are highlighted in a revised version of a British Institute of Management checklist on the costs and procedures involved in filling vacancies. It cites as an example the fact that a 30 per cent. annual turnover on a wage bill of £2m. adds an extra £120,000 to labour costs. The checklist gives sources of advice on cost-effective recruitment.

BIM Management Checklist No. 8: Filling a Vacancy. Available from BIM Publications Department, Management House, Parker Street, London, WC2, 20p to members and member organisations; 40p to others, including postage.

هكذا من الأصل

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Ultra-pure water in delicate operations

PRODUCTION of complex electronic components involving many chemical processing steps is very highly dependent for success, on the degree of chemical cleanliness maintained throughout.

Successive rinsing to remove contaminants must be made with water of the highest purity since any trace of dissolved solids deposited across a semiconductor chip, or of bacterial contamination, could very easily alter the pattern of interconnections finer than a human hair laid down on the circuit material and thus result in a very high device rejection rate which would make the whole process uneconomic.

At the ITT semiconductor plant at Sidcup, Kent, a decision has been taken to double plant capacity for high purity water and the contract for the required plant has gone to Houseman (Burnham), part of the £45m. a year Portals Water Treatment group.

Equipment for Sidcup has been chosen to provide the required level of purity, described as 18 Megohms, without incurring too heavy a penalty in regenerant and effluent disposal costs.

First step in processing is pre-treatment before reverse osmosis using a softening plant from the company's standard lines. This fully automatic equipment prevents fouling of the reverse osmosis membranes by precipitated hardness salts.

Regeneration in the softeners is controlled by sensors which means there will be no carryover above set limits into the reverse osmosis units as a result of water supply variations.

Two of the company's reverse osmosis units are used, based on a Dupont B9 aromatic polyamide membrane with long life.

This step takes out up to 90 per cent. of dissolved solids and is driven by 400 psi pumps, providing a pure water stream and reject water with high dissolved solids which is used for plant cooling purposes.

Introduction of these plants is a key point in the design of the Houseman system since they ensure a long period of operation before existing demineralisation units have to be regenerated and also prolong the life of the very fine filters also used in the system.

TSA 500, the latest in the company's designs, is the deioniser which comes after reverse osmosis and bed life has been extended to three days by the prescribed pre-treatment.

Two further purification steps follow and then, prior to use, the water goes through an 0.22 micron filter.

There are some 22 final treatment units in parallel operation on four separate loops and any units can be automatically isolated should water quality deteriorate from the preset level.

Plant capacity will be raised to 60,000 gallons a day during the current quarter to meet the demands from ITT Semiconductors manufacturing load.

Further from Houseman (Burnham), The Priory, Burnham, Slough SL1 7LS, 06286 4488.

Metallising plastics

DEVELOPED IN Japan by Tokuda (part of the Toshiba Organisation) is a method of vacuum depositing chromium or stainless steel coatings on plastics components.

Called high rate closed field sputtering, the process will deposit almost any metal on to most plastics or glass substrates in a floor-to-floor time of 12 minutes, it is claimed. Chamber sizes available are up to 1.4 metres diameter by 2.2 metres high.

Components are rotated on a planetary jig system, and typically a 0.05 micron coating is achieved in two minutes without any appreciable increase in temperature of the component.

Apart from the automotive industry, where the technique can provide cheap replacements for stainless steel and chrome plated trim, the cosmetics packaging industry is stated to be interested. This is because different colours can be achieved by using various alloys, nitrides, oxides or carbides of metals, even those with very high melting points. The electronics industry is also interested.

A manufacturing and marketing licence for the equipment has been taken by the General Engineering Company (Radcliffe), Bury Road, Radcliffe, Manchester M26 9UR (061-723 3271).

● PERIPHERALS

Innovation from small companies

PARTICULARLY striking about the U.S. minicomputer, small systems, and peripherals scene is the high degree of technological expertise displayed by companies of small size and limited market power.

One example of this is to be found in Alpha Data, a new mass memory technology company, represented in the U.K. by Sintrom Electronics, which was exhibiting at the U.S. Trade Centre Mini Micro '78 show this week.

Alpha Data had two new products on display, a CCD mass memory, and a head per track disc memory. The first, the CCDISC is a charge coupled device system which has been so configured that it looks to the user like a very fast—20 to 30 times faster—disc system, and which can be run without operating system software changes.

It has no moving parts, comes with a range of interfaces which among other things enables it to emulate other manufacturers' rotating disc memories, and will stand up to a wide range of environmental conditions in which disc devices could not be used. It is the sort of system that could end up being used as an on-line memory in distributed processing environments, where rapid access is required.

The Model Eighty mass memory head per track magnetic disc system is the latest in the Alpha Data series of disc devices. It is currently being evaluated by DEC. It comes in one or two discs, and begins at 16mbit for £6,110 up to £15,775 for 65 mbit. Bits per track are a nominal 150,000, with, at the maximum, 64mbit on 512 tracks. With this sort of system data rates are around 8Mhz, with an average access time depending on requirement ranging from 8.5 to 20.2 milliseconds.

Also in this area, Storage Technology Corporation, which supplied storage devices to Burroughs under an OEM contract and is best known as a supplier of standard tape and disc devices indicates that it shortly expects to open a U.K. office.

In announcing an order from Barclays Bank International for its "Non Stop 16" computing system on which Barclays will develop a real time system in the foreign exchange dealing room, Tandem also disclosed the establishment of a wholly owned U.K. subsidiary.

The Tandem system has had much publicity in the States and has caused much argument. It is very much a modular construction system designed for on line environments.

● COMPUTING

Easy check on signatures

FOLLOWING success with small banks and financial institutions with a miniature but fully controlled video terminal, Informer has added facilities such as signature capture and retrieval, and provides them on an IBM-compatible system. The display shows signatures, as well as the usual account data.

Traditionally banks, building societies and investment companies must verify signatures, and this has previously been done by posting either the original authorisation (copied, or stored on microfilm, etc.) to branches, or posting the payment document (bill, cheque, etc.) to the branch holding the account.

By storing the signature on disc along with details of the customer's account and making this available to all branches, over their usual on-line data transmission channels, reductions in handling costs are possible. Also, since the teller always uses the original authorising signature, the level of security is greatly increased over that provided by guarantee cards, pass books, etc.

The signature terminal, made by Informer Inc., who have representatives in all European countries, weighs only 22 kg. It consists of a special pedestal-mounted monitor on a small keyboard which can be fitted with a full set of control keys for working in ASCII, EBCDIC, and APL languages.

Signatures are captured by a separate unit, which can absorb approximately 100,000 over a six-month period, this being determined by the time to handle the documents. Time compression techniques are used to save storage and transmission capacity, with the signature being recorded on a display of 192 by 64 points. Multiple signatures, as required for joint-group accounts, are usually stored one behind the other on the disc. The programmable control unit can interface with any computer, asynchronously or synchronously, and with protocol control as required.

Display terminals are based on the Informer intelligent microprocessor-controlled 303 terminal which features clusters of up to 3 or 4 consoles per control unit, with "daisy chain" expansion so that up to 32 consoles can operate independently, using polling techniques, from one computer or modem port, on an IBM binary synchronous channel.

Where the bank's operating system cannot accommodate signatures, Informer will supply a system working on signatures only with full processing and storage capacity, using existing files of names, addresses and account numbers.

Informer, 1, Nursery Close, The Meadows, Amersham, Bucks., HD7 9AS. 02403 4122.

Accurate data recording

SOUTHWARK Computer Services has plans to expand its optical reader data capture support to a number of areas in outer London, following the sharp expansion in demand for this particularly accurate method of information recording.

At present, the company has some 40 expert typists who reproduce information sent in by users in an OCR A fount on A4 paper for reading and conversion into a magnetic tape record.

Prior to optical scanning, however, there is a thorough proofreading for literals and the company claims an overall error rate of less than 0.05 per cent.

Further on this Datascan service from Southwark at Granby House, 95, Southwark Street, London SE1 0JA. 01-928 2711.

Hardware company set up

LOGICA, international computer and communications company, has launched a subsidiary to market, manufacture and support its hardware products.

Logica Data Systems is to handle three principal product lines; Datelswitch, a telegraph and telex message switching computer and a new intelligent VDU with exceptional features and versatility, which will be marketed in the spring.

Added to these are Logica's established data communications products, including an in-house modem substitute, modem expanders and modem interface monitor. All these products are supported by Logica's field service organisation.

Logica at 64, Newman Street, London, W1A 4SE. 01-586 0544.

Guidelines to go into Fascia

FOLLOWING THE receipt of contracts worth over £100,000 since the release of the Mark II version of its Fixed Asset Control System, FASCIA, RTZ Computer Services has held a first Fascia Users' Conference.

Attended by 50 delegates representing 32 companies, the conference heard a summary of the Hyde Guidelines in relation to fixed assets and to discuss the ways in which RTZCS could incorporate these into Fascia.

Present methods of handling inflation accounting were also covered and discussions on areas for the future development of Fascia, including a Mark III version followed.

Agreement was reached that working parties on particular areas should be set up to define the requirements in detail.

More from the company at 103, Jermyn Street, London, SW1Y 6EB. 01-930 4163.

● CONFERENCE

Electric vehicles

IN MAY, Sheffield will be invaded by a fleet of electric buses, personnel carriers and delivery vans. They will be running between the station, local airports, hotels and the Cutlers' Hall, to demonstrate the role of electric road vehicles in and around a major city.

The demonstration will be part of an international conference entitled "The economic use of electric road vehicles in a changing environment," being organised by the Electric Vehicle Development Group. The Group is being constituted as a non-profit making company and has a membership of companies, organisations and local authorities interested in the development and use of high performance electric road vehicles.

The conference, which will be held at the Cutlers' Hall, Sheffield, May 23 to 24, will cover many aspects of operating electric vehicles. Details from the Group at 59, Colebrook Row, London N1 8AF (01-359 7352).

● CALCULATORS

Machine for the desk top

TELETRONICS, exclusive U.K. distributor for National Panasonic business equipment, has introduced a new desk calculator, Panasonic JE-1610, that is small enough and light enough to be portable, but has keys and display large enough for the calculator to be easy and convenient to use.

Any entry or calculated result can be stored in memory and a register exchange key permits easy reciprocal or fractional calculation as well as review of the previous entry or result.

There is a ten-digit display and automatic insertion of a comma to the left of every third digit—so that hundreds, thousands and millions are clearly defined.

The machine handles per cent., discount, gross margin and percentage difference calculations.

● HEATING

Prevents loss of warmth

ONE WAY of conserving heat in industrial premises is by projecting curtains of air (heated or unheated) across doorways and entrances. Equipment for doing this is now available for doorways up to 70 feet wide and 16 feet high and it can also be used with equal facility to prevent loss of refrigerated air from cold stores.

The maker says that on a 10 x 10 feet door on a warehouse or factory, with an internal temperature of 65 deg. F and external temperature of 32 deg. F, heat losses when the door is open cost in the region of £9/hr. for electric heating and £4.50/hr. for oil heating.

Installing an air curtain would cut this loss by 80 per cent. for a running cost of about 0.8p/hr., and an installation cost of around £1,000. It is estimated that the air curtain unit should pay for itself in two years on fuel cost saving.

The units have 5 hp motor driven axial flow fans, and can be used with heated or cooled air—the maker says the essential aspect is a correctly directed, high velocity air flow.

More from Shearflow, 164, High Street, Barnet, Herts. (01-440 9907).

● METALWORKING

Extracts weld fume

NOW AVAILABLE in the U.K. is an extraction system for welding fumes, developed by Andersson Varme, of Sweden.

The flexible collection hose mounted on a spring loaded aluminium section arm, is stated to provide efficient fume extraction over a radius of 25 feet. Fumes are not filtered, but are discharged to atmosphere outside the welding shop.

Marketing is by Ventilation Jones, 13, Duke Street, Princes Risborough, Bucks., HP17 0A' (08444 5874).

● COMPONENTS

Small motor is flexible

A NEW fractional horsepower brushless motor has an "envelope" speed/torque characteristic which is a straight line from no load to starting torque at a slope which can be specified to satisfy particular application requirements.

Depending upon the load torque applied, the speed can be continuously variable or change in pre-determined steps over a nominal speed range of 10:1. The accuracy of speed control is better than ±1 per cent. and is independent of load torque variations, within the envelope, or input voltage fluctuations in the range ±20 per cent.

Other types in the Walker Jones "S" series are permanent magnet synchronous, induction and ac servo and all types are available with a choice of flanges, shaft lengths and types, and with sleeve or ball-race bearings. Other variables, such as lead length and operating voltage can be readily accommodated.

They will be shown at IEA-Electrex 1978, NEC, Birmingham from March 13-17.

More information is available from Walter Jones and Company (Engineers), Newlands Park, Sydenham, London, SE26 5NG. 01-659 1511.

Reliable power transistors

TWO NEW power transistor families announced by Mullard incorporate a number of novel design points to provide extra reliability.

BDW55 and BDW56 families are the products of a development programme in which emphasis has been laid on reliability under "hard working" conditions. As a result, many sectors of the design are unusual and a great deal more precious metal is used than is normally found in devices produced on a massive scale.

The first of the exceptions is the use of Ti-Pt-Au metallisation on the crystal face. Gold wire is used to connect this metalisation to the gold-plated comb using wedge-bonding techniques. This bonding is extremely reliable because no intermetallic compounds can be formed and so contribute to eventual failure. This technique gives an improvement in bond failure rate of several orders of magnitude.

Another problem area, the crystal-to-comb union, has been dealt with by using a gold pellet and a gold-silicon eutectic solder. Excellent results have been obtained during life tests even under the most rigorous conditions. For instance, power cycling of 1.5W in free air produces no deterioration even after 500,000 cycles.

Electromigration has been investigated with this new construction, but continuous tests for up to 10,000 hours at twice the device's specified current rating have shown no detectable migration.

Additional features are mechanically and electrically rugged construction coupled with 100 per cent. pre-encapsulation inspection.

Life tests show that good stability is obtained for at least 10,000 hours of continuous operation for all parameters under reduced and maximum test conditions.

More from Mullard at Mullard House, Torrington Place, London WC1E 7HD. 01-580 6633.

Building and Civil Engineering

14½m. housing for Saudi Arabia

4.5m. contract has been ed by the U.S. Corps of eers to Laing Wimpey a for the provision, on and furnishing of 200 s for personnel involved in levelopment of the King l Military City at Al Batin, Arabia. Work has started : due for completion by the : of next year.

s is the first major housing act to be signed in Saudi a using the prefabricated ng system developed by the al Electric Company of delphia, U.S., with whom has agreements for the eting and construction of its s.

: houses will be built by t General Housing, the ese subsidiary of General ic and will be shipped to ort of Ras al Mishab. They e transported to the remote t site by the Corps of ieers.

cAlpine's g road orks

EST OF the contracts £6.7m. won by companies he Sir Alfred McAlpine p is one for £3.3m. covering construction of a section of M65 motorway between ahead Lane and the Brier- Junction.

is a dual carriageway road o lanes with hard shoulders the company will construct equired slipways for access adjoining roads. Two r bridges will be required r the contract which is ded by Lancashire County cil.

Alfred McAlpine (Nor- 1) is to carry out three jobs, argest of which is worth just r £1.9m. and is for the con- tion of the Thornton eleys relief road also for ashire County Council.

iis is to be a 7.3m. wide e carriageway all-purpose 4.6km. in length.

orth close on £1m. is a job rded by Plessey Telecom- iications for the modernisa- of a factory at its South Shields works. The Welsh Agency, meanwhile has awarded advance factory work worth £350,000 for a site at Shotton, Clwyd.

McAlpine Services and Pipe- lines is to undertake a £179,525 job for the British Gas Corpora- tion, Wales Region.

This requires the construction of a pipeline crossing of the River Conway, about 4.5km. south of Conway itself, and the laying of about 1,300 metres of 450mm. wrapped steel pipes. Work will include radiography, testing and reinstatement.

£2½m. Rush & Tompkins orders

TENNANT Caledonian Breweries has placed an order valued at £1.5m. for phase five of the redevelopment of Wellpark Brewery, Glasgow, with Rush and Tompkins (Scotland). The work comprises extensions to the main warehouse, alterations and additions to the export ware- house, provision of a canteen building and extensive concrete pavings, retaining walls, drain- age and other services.

Further work has been started for the English Industrial Estates Corporation at Whitley Road Industrial Estate, Newcastle-on-Tyne. Four factories are to be built at a cost of £550,000.

Rush and Tompkins, north-east region, has received a contract from Corning International Cor- poration to construct a 6,000 sq. metre extension to its pro- duction facility at Sunderland, Tyne and Wear. Work has already started on this £600,000 contract.

Composting plant consultants

D. BALFOUR and Sons has been appointed consulting engineer for two United Arab Emirates com- posting plant projects which have ben let to Swiss joint ven- ture contractors Buhler Brothers/ B. Moeller and Co.

In Abu Dhabi the project is for an extension to an existing composting plant to cater for a load which will be increased from 125 tons per day of domestic refuse and 25 tons per day of sewage sludge to 425 tons and 75 tons respectively. Piling work for this project has already com- menced and the Dhs.120m. (£16m.) plant is due for commis- sion in August.

The second project at Al Ain, is for a single stream compost- ing plant capable of handling 125 tons per day of domestic refuse and 25 tons per day of sewage sludge. The value of this project is Dhs.34m. (£4.5m.). Commis- sioning is due by June.

£5m. worth to Willett

ABOUT £5m. worth of building work is to be undertaken by Willett (Trafalgar House Group).

For the Greater London Council, the company is to build 58 flats at Wood Lane, Dagen- ham, Essex, and erect 163 houses and flats plus nine shops in Lewisham using traditional methods.

Other work includes altera- tions to office accommodation in County Hall, Westminster Bridge Road, London, S.E.1— again for the G.L.C.—and the construction of a five-storey office block in Eastern Road, Romford, Essex, for Trafalgar House Developments.

Warehouses are to be built by Willett at Dandas Lane Indus- trial Estate, Portsmouth, Hants, for Beecham Products; at Craw- ley, Sussex, for the New Towns Commission and warehouses and offices at St. Albans, Herts, again for Trafalgar House Develop- ments.

Busy in the South-West

CONTRACTS in the south-west worth £2.5m. have been won by E. Thomas and Co. (Mowlem Group).

The work includes the Hele Estate redevelopment, phase 2, at Torquay, which is worth £360.000 and is for the erection of 33 houses and a bungalow.

Other contracts are for the construction of 49 flats and houses for Exeter City Council (£487,000), for the construction of 1¾ km of highway at Milton Combe near Plymouth for Devon County Council (£450,000), and for the construction of 4,400 metres of foul and surface water sewers at Tolskithy Valley near Redruth, Cornwall, for Kerrier District Council (£330,000).

Other jobs include coal storage bunkers for Associated Portland Cement Manufacturers at Plym- stock (£150,000), cleaning and overhauling of the Millbay dock gates at Plymouth for the British Transport Docks Board (£120.000), construction of new effluent and storm water drain- age, retaining walls, and external paved areas at St. Erth for Unigate Foods (£100.000), and provision of foundations and buildings for a refuse incinerator plant at St. Mary's, Isles of Scilly (£80 000).

E. Thomas is also constructing a workshop and offices for Freefit Services at Stonehouse, Plymouth (£125,000), and telephone exchanges at St. Just near Lands End and at Crantock near Newquay.

Variety of work

A SCHOOL concert hall and gymnasium, three advance fac- tories, an office extension and the ground works for a waste treatment plant are to be pro- vided by J. Jarvis and Sons under contracts valued at over £2m.

The concert hall, gymnasium and changing accommodation is for Reigate Grammar School, Surrey (architects Stammers and Weatherhead), while the fac- tories, under a contract from the English Industrial Estates Corporation are being built for the Department of Industry at the Pallion (West) Industrial Estate Sunderland, Tyne and Wear. Hawkins, Heath and Nel- son are the architects for this contract.

At Hemel Hempstead, Herts., a five-storey extension to an ex- isting three-storey office block is being built for Dexion-Comino to the designs of Clifford Tee and Gale and in the same county pre- liminary ground works and the construction of an office and laboratory block for a waste treatment plant for Contract Gully cleansing are being con- structed in an old chalk quarry at Redbournbury. Marshall Haines Partnership are the con- sultants for this.

£3m. to Espley-Tyas

OVER £3m. worth of contracts have just been awarded to the Espley-Tyas Group.

The largest, worth £1.7m., is for 12 advance factories with the usual offices, access roads and so on. The work is being under- taken for Redditch Development Corporation.

For Tewkesbury Borough Council, the group is to con- struct 76 dwellings (65 houses and 11 bungalows) at Bredon Lane, Ashchurch, at a cost of £725,000 and for Wychavon Dis- trict Council it is to provide 57 single, two and three-storey dwellings at Four Pools, Eves- ham under a £593,000 contract.

For the same council Espley- Tyas is building 18 dwellings at The Hatcheries, Evesham, at a cost of £195,000.

Housing the workers

A £1.8m. order covering the design, manufacture and installa- tion of a fully self-contained village on the outskirts of Jeddah in Saudi Arabia has been re- ceived by Wyseplan from Poon (Saudi).

The village complex which will be on a 60,000 square metres site some 15 km. from the centre of Jeddah has been designed to meet the requirements of the initial complement of 500 per- sons. Cooking, laundry, power generation and other camp ser- vices will, however, be capable of supporting 1,000 people should an option for additional living accommodation complexes be taken up.

The power generation system will be installed by Wysepower.

£10m. awards for Gleeson

ON APRIL 3, Gleeson (Sheffield) expects to start construction of a nine-storey block in Moorfoot, Sheffield. Value of the contract, awarded by Property Services Agency, is £9m.

The building, to be occupied by the Manpower Services Com- mission, will provide nine floors of offices and will include con- ference suites and other facilities. It will accommodate a staff totalling 1,900.

The company has also won a £521,000 contract from the City of Bradford Metropolitan Council for 39 flats at Queensbury and for an office block and factory extension for H. G. Allcard and Co. at Wythenshawe, Manchester. Value of this is £150,000.

Another Gleeson Group mem- ber has been awarded a contract by Hampshire County Council for the construction of a new carriageway on the A3 trunk road from Horndean to the Clanfield crossroads. This job, being under- taken by Gleeson Civil Engineer- ing, brings the total awards to the Group to about £10m.

Rebuilding a club

SIR ROBERT McAlpine and Sons have been awarded a £2½m. contract by Shell U.K. to rebuild its Lensbury Club social facility at Teddington, Middlesex.

The fire-damaged building is to have an additional floor and a mansard timbered and tiled roof is to be incorporated on what remains of the original "H"- shaped steel-framed structure. The three lower floors are to be completely renewed to luxury hotel standards. Architects are: Walker Harwood and Cranswick.

Saudi military project

DAMES AND MOORE has been retained by the Middle East Divi- sion of the U.S. Army Corps of Engineers, on behalf of the Saudi Arabian Ministry of Defence and Aviation, to conduct geotechnical studies for the pro- posed King Abdul Azziz Military Academy to be constructed north of Riyadh, Saudi Arabia.

The academy complex with housing facilities will cover an area of about 2 square miles. It will be a complete community providing for cadets, faculty and support services.

According to Edward E. Rinne, Dames and Moore's partner in charge of the project, the main geotechnical considerations being studied are those related to the design and construction of a pro- posed entrance road which rises up a steep rock escarpment to the academy complex, general site grading and development, foundations for buildings and other structures, roads, an air- field and deep utility trenches.

Housing and sewerage

IN CARDIFF, John Laing is about to start on a £1.7m. con- tract for houses and flats for the City Council.

The development is at St. Mellons on the Newport side of Cardiff. Construction will be of traditional brick and blockwork with pre-cast concrete floors in the flats. Altogether 174 dwel- lings are called for.

In Leeds, Laing has been awarded a £536,000 contract by the City Council for 50 homes in Wesley Street, Morley.

Next month Laing is to start work on a £1.3m. contract to modernise and extend a sewage treatment works at Carlisle for the North West Water Authority.

Apart from new inlet works, stormwater tanks and construc- tion of eight percolating filters and pumping stations the com- pany will construct a three- storey administration building.

Awards to Wimpey

TWO contracts, together worth over £1.3m. have been awarded to George Wimpey, in London, and another, worth £371,000, has been awarded to the company in Manchester.

For the London Borough of Wandsworth, Wimpey is to re- furbish flats in Archer House, Vicarage Crescent SW11, at a cost of over £995,000.

The other contract, from the London Borough of Hillingdon, valued at £326,000, is for roads and sewers at Priory Avenue, Harefield, Middlesex.

In Manchester, Wimpey is re- furbishing 84 flats for the Cor- poration in Longhope Road, Haverton Drive, Wythenshawe.

Big Bedford development

WORTH close on £2m., a tender by Kier of Tempsford Hall, Sandy, has been accepted by North Bedfordshire Borough Council for the construction of the new Horne Lane/Rover Street multi-storey car park and shopping development in Bed- ford town centre.

Work is to begin during the curent month and completion is expected in August, 1979, in time for the Christmas rush.

The development will be next to the recently completed Harpur Centre and the two shopping centres will be linked by an enclosed mall.

Consulting architects are Frederick Gibberd and Partners and consulting engineers Pos- ford Pavry and Partners.

Cambridge and District Co- operative Society will take the tenancy of the supermarket, and the Co-op and C. and A. Modes stores in Midland Road, will be linked into the new development.

IN BRIEF

● Under a contract worth nearly £900,000, Cementation Construc- tion is to construct a vital link to the Bournemouth town centre by-pass for Dorset County Council.

About 1 km. north-west of the town centre the work will link Stages II and III of the by-pass.

● John Jones (Excavation), earthmoving subsidiary of Nor- west Holst has invested £2½m. in caterpillar and Euclid heavy plant.

● Nineteen Belaz 15-ton dump trucks worth over £½m. have been purchased by Nicol of Dysart from UMO Plant of Letchworth, Herts.

● Howard Humphreys and Sons has been appointed by the Mini- stry of Public Works and Muni- cipalities, Yemen Arab Republic, to carry out the design and supervision of the works neces- sary to implement Stage 1 of the refuse disposal project for Sana'a.

● Taylor Woodrow Construc- tion (Northern) has been awarded a £½m. contract by the Greater Manchester Council for the building of a bridge and a length of dual carriageway which will form part of the inner relief road system at Bury, Lancs.

LOMBARD

A near miracle here at home

BY SAMUEL BRITTAN

IT IS NOT generally known that not long ago the U.K. seemed poised to perform an economic miracle. At the very least the growth gap with major competitors had actually closed for output in manufacturing industry.

This little appreciated fact emerged from an article by Dr. David Jones, now of the University of Sussex Centre for Contemporary European Studies in the August, 1976, issue of the NIESR Review. The general message of the article, which was entitled "Output; Employment and Labour Productivity in Europe since 1955," was that of a slow growth of British output and productivity, which had gone on for so long that the absolute output per head was now substantially below that of most competitive countries.

Microscope

Under the microscope, however, a changing trend emerged. Value added per man in U.K. manufacturing was growing at a faster rate from one trade cycle to another and the gap with the main European countries was steadily narrowing. By the 1969-1973 cycle, value added per head was growing at about the same rate in the U.K. as in other European countries.

Even in that cycle the overall growth rate was still lower for the U.K. But contrary to popular belief the productivity lag was in the service sector, not the manufacturing one. In view of the notorious difficulty of measuring service productivity in any reliable way, it is reasonable to give it less weight in any growth league—not because of any superstitious belief that only manufactured goods matter. There are, moreover, statistical reasons why industrial growth series may be biased slightly against the U.K.—largely because this country uses physical indicators to measure manufacturing production whereas most other countries use value figures deflated by a price index.

Since 1973 the incipient miracles seem to have vanished. The data are not yet in for the subsequent trade cycle, which seems likely to reach a peak in 1978. But on the basis of 1973-7 figures, together with the most optimistic possible estimates for this year, it looks as if the U.K. did worse than competitors not only in prices, unemployment and overall output, but also in manufacturing productivity.

A closer look at the leap forward of 1969-73 can help explain the subsequent setback. The growth in manufacturing productivity in other countries was mainly the result of rising output, with little change in manpower. In the U.K. on the other hand, it was due mainly to a fall in the manufacturing labour force with very little change in output itself. This fall reflected the shakeout in the industrial labour force following first the Wilson recession of 1966-7 and then the Heath recession of 1971-2.

In the last recession of 1974-6, behaviour was very different. The recession went deeper, and instead of taking the opportunity to reduce labour hoarding, employers were forced to increase it. In the then prevailing social and political atmosphere job preservation became—and to some extent still remains—the order of the day.

There is, however, a difference between an historically high rate of unemployment and an increasing one. Once the unemployment trend has clearly turned downwards some of the present insistence on overmanning may gradually subside. It is when unemployment is rising rather than when it is absolutely high that—other things being equal—there is the greatest shortage of new job opportunities.

The very fact that the absolute *level of productivity is so much* lower than in Europe provides the U.K. with an opportunity to catch up, which other countries lack. If concerns such as British Leyland and British Steel achieve even part of the economies they now have in mind, and their situation is at all typical, there could be quite spectacular leaps in British manufacturing and productivity, exceeding even those of 1969-73.

Fallacy

How will the lost jobs be replaced? The question is based on the "lump of labour fallacy" which otherwise educated people so often reiterate. The very end of curbing costs and prices in the overmanned industries will increase both real purchasing power and international demand for their products. If not, a general monetary and fiscal boost of carefully controlled dimensions would be infinitely preferable to the waste of work-sharing.

In the meanwhile you might be surpised which major European country most nearly approaches the U.K. in disappointing performance in output, growth of unemployment and other real indicators so far this cycle. It is West Germany.

THE WEEK IN THE COURTS — BY JUSTINIAN

Home, sweet secure jointly leased home

LEGAL CONSOLATION came to flat dwellers on Wednesday when the Court of Appeal in *Lloyd v. Sadler and Others*, upholding a judgment given last March at the West London County Court by His Honour Judge McIntyre, filled a gap in the provisions of the Rent Acts in a way which extended the statutory protection given to tenants.

The importance of this decision can hardly be exaggerated.

Flats have replaced houses as the average urban home. The home can range from a palatial suite of rooms at best to a grotty bedsitting room at worst, and can be found in premises as diverse as solid purpose-built Victorian mansion blocks and terrifying twentieth century tower blocks, to say nothing of every conceivable variety of converted house.

The occupants of flats are no longer just bachelors in need of solitary splendour in a pied-a-terre in town, or married couples, with or without children, setting up their first home. They also include groups of people wishing to avoid an individual high rental by sharing accommodation.

Nowadays, a flat-dweller is frequently a flat-sharer and the reserved judgments of the Court of Appeal in *Lloyd v. Sadler and Others* are of immediate concern to flat-sharers and landlords.

The Court of Appeal had to consider a flat in Cottesmore Gardens, Kensington, a Royal Borough noted as much for the diversity as for the density of its population. The landlord, Mr. Lloyd, had granted a tenancy of the flat for one year to two air hostesses, Miss Sadler and Miss Lunt. The tenancy was contained in a written agreement and its duration was from December 27, 1975 to December 25, 1976.

Miss Lunt left the flat on October 28, 1976, to get married. She had no intention of returning and never came back to live there, but Miss Sadler remained a resident up to and even after December 25, 1976. After Christmas 1976, the flat's occupants included not only her but three other air hostesses, Cottesmore Gardens being within walking distance of the Gloucester Road Air Terminal.

After the end of the period of the tenancy agreement, Mr. Lloyd brought proceedings against Miss Sadler and the other air hostesses for possession of the flat. The outcome of the case depended on whether Miss Sadler was a statutory tenant entitled to security of tenure under the provisions of the Rent Acts.

If the original letting had been to her alone, she would have been a statutory tenant. If it had been exclusively to Miss Lunt, Miss Sadler would not have been a statutory tenant.

This is because the relevant provisions of the relevant legislation read as follows: "After the termination of a protected tenancy of a dwelling-house, the person who, immediately before that termination, was the protected tenant of the dwelling house shall, if and so long as he occupies the dwelling-house as his residence, be the statutory tenant of it."

This legislation, with its mannish obscurity was not drafted by the women's movement. In Acts of Parliament, "he" includes "she," and in the Rent Acts "dwelling-house" includes a flat.

The question before the Court of Appeal was whether references in those provisions to a tenant automatically included a joint tenant although the Acts themselves contained no express mention of joint tenancies.

The failure to mention joint tenancies occurs in successive Acts of Parliament concerned with security of tenure—not only in the Rent Act, 1968, the relevant statute at the time when Mr. Lloyd granted Miss Sadler and Miss Lunt their joint tenancy, but also in the Rent Act, 1977, the most recent piece of legislation in this branch of the law.

Protected

On Mr. Lloyd's behalf, it was argued that upon the expiry of the original tenancy agreement, Miss Sadler was not a statutory tenant, an argument supported by the logic of eight propositions.

The first proposition was that the contractual tenancy granted to Miss Sadler and Miss Lunt made them joint tenants. The second was that "the tenant" under the contractual tenancy was Miss Sadler and Miss Lunt and the third was that the contractual tenancy was a protected tenancy.

The fourth proposition was that Miss Sadler and Miss Lunt were "the protected tenant" for the purposes of the Rent Act and the fifth said that when a protected tenancy comes to an end, a statutory tenancy arises only if the statutory tenant "occupies the dwelling-house as his residence."

The sixth was that the word "he" in the phrase "if and so long as he occupies the dwelling-house as his residence" referred to "the person who . . . was the protected tenant," a preceding phrase in the relevant statutory provision.

The seventh was that when Miss Sadler's and Miss Lunt's protected tenancy came to an end, it could not be said that they were both occupying the flat as their residence.

The final proposition was that because both women were not residing in the flat after December 25, 1976, no protected tenant could be said to be in occupation of the flat after the end of the protected tenancy.

The Court of Appeal, like Judge McIntyre, felt under a duty to interpret an Act of Parliament to achieve the plain objective of the legislation. The Rent Acts were intended to protect people rather than such legal concepts as joint tenancies.

Where a statute referred to "the tenant" but a particular letting was to two or more persons jointly, it was permissible for a court to decide that one of those persons by himself or herself might, for certain purposes, be treated as being "the tenant."

The Court of Appeal adopted this interpretation because it made better sense of the relevant statutory provision in its particular context.

This means that no landlord can expect to circumvent the provisions of the Rent Acts by letting premises for a specified period to several persons in the hope that, during the period, some of those persons may cease to be tenants or occupants of the premises.

It would seem strange if an individual were to receive less protection from the Rent Acts if he was *one of several joint* tenants than if he was a tenant under an agreement made exclusively with him. If a landlord remains subject to the Rent Acts when he has only one tenant from whom he can claim rent, why should he be exempt from those Acts when he has two or more?

Such an immunity would confer on the landlords the odious privilege of the greatest happiness from the greatest number of tenants paying the highest rent in the smallest unit of accommodation with the least security of tenure.

It is fashionable to disparage the Rent Acts. But let it be remembered that despite the complexity and obscurity of many of its provisions this legislation has enabled countless people to live in their homes free from undue fear of arbitrary eviction or exorbitant overcharges.

Any strengthening of this legislation is to be encouraged. Any erosion of its principles and provisions is to be deprecated.

In the meantime, unless and until the House of Lords reverses the decision of the Court of Appeal, Miss Sadler is entitled to feel that in some respects, at any rate in the eyes of the law, she remains the air hostess with the mostest.

England tigers tamed by French panache

RUGBY

BY PETER ROBBINS

THERE WAS bitter familiarity about England's game against France, both in pattern and certainly in the result. France ultimately won 15—6, but only after a long hard struggle in which England twice led by dropped goals from Old, one after three minutes, the other just on half-time.

Aguirre kicked France's penalty after Maxwell and Dixon had retired hurt five minutes before the change-over. They were replaced by Kent and Neary. Though never violent, the game was highly physical, with both packs going at one another furiously.

England enjoyed the luxury of good rucked position in the first period. Beaumont, Wheeler, Burton and Rafter worked tigerishly, and the ball came back sweetly as it did in the hard-fought mauls. In these Horton, Dixon and Scott did prodigious work.

At the line-out it was all Horton and Scott, with Cowling and Burton clearing up a lot as well. England were thus able to use the boot of Young and Old to gain precious ground, and to press the French backs. Young was always looking to go on his own, and he did this well with his flankers.

Beyond that, England were far too ponderous to launch any conclusive attacks. They lived well off their wits, but physical slowness condemned their movements. Siemen danced round Gourdon twice early on, then the cover got to him. Similarly, Squires was put away on the right, and he, too, was swamped by the French. Direction was not changed quickly enough to threaten France.

England made good use of some poor kicking from Vivies, with Hare tilting up-field or the forwards regrouping to give Young sheltered possession. It was all good technical stuff, but still unimaginative.

A score, or better still a try, would have lifted morale significantly, but, even though France looked lost under this English pressure, there were moments of panache that were ominous for England. For example, Gallion made two devastating breaks and Aguirre slipped into the line like a shadow. But each time France breached the cover they knocked on, passed forward, or were knocked over. In addition, Vivies and Aguirre missed four kicks at goal.

The game changed significantly in the second half, and Gallion was behind it. His break led to Bastiat's getting the ball, and Bertramme and Aguirre brought off a scissors at top speed for Averous to score. Aguirre converted, giving France the lead after 15 minutes of the second half.

It was a significant time to score. Even more crashing was the try Gallion scored eight minutes later. He ran through an enormous gap in the English line-out for a gift try that Aguirre converted. This fairly comfortable lead gave confidence to Vivies, who began to pass and kick much more effectively. This improvement in the French half-backs' play revived the other French players.

Gallion certainly justified his selection over Fouroux and his more accurate passing accelerated the French back play. His quick, snakish running with Rives and Skrela caused serious problems. So did the running of Aguirre, the other dominant individual behind the scrum.

The fact that these two had more room was a tribute to great work by Rives, Skrela and Bastiat. It is quite extraordinary how Skrela is always in the right spot at the right time with Rives. They work together so well and so constructively.

Their tackling, too, and that of Bertramme, Belascain and Averous was usually head-on, whereas the English three-quarters were forced to turn to the last ditch stuff far too often for comfort.

However, the England side showed tremendous spirit and it says much that they did not cave in before the pace and power of this good French side. Rafter, in particular, gave a non-stop performance and tackled all afternoon.

Irish euphoria

IRELAND gained what they most needed, a win in the international championship series. Their victory by 12 points to nine (a goal and two penalties to three penalties) over Scotland at Lansdowne Road was the first since March, 1976, and should prove a major boost to confidence.

For Scotland, it will be a day to put behind them. Their forward play was uncontrolled, they slowly surrendered all control of the line-out and in the loose they were uninspired, except for Biggar and McLauchlan.

The backs got themselves into horrible tangles, largely as a result of scrum-half and captain Morgan's slow service, while Irvine, fine player as he is, was badly wasted on the wing. He should return to full-back for the next game.

There will be long argument over Morgan's decision to run a penalty close to the Irish line in the ninth minute of second-half injury time. His gamble on picking up four points and victory with a try, rather than kicking a penalty for three points and a draw, earned him grateful applause from a stunned Irish crowd.

However, he is likely to be advised that however brave, sporting, and adventurous it may be to gamble with international points he should play safe. He insists that he would do the same again.

There are likely to be one or two changes in the Scottish team, due to be announced to-morrow, to face France at Murrayfield on February 4—Carmichael at prop, the lock Tomes, and the No. 8, McDonald, could be replaced.

Ireland must be allowed their measure of euphoria, but already they realise that much has to be done.

In a game punctuated by injuries—there were nearly seven minutes added to the first half, and nine to the second—Ireland suffered most, and yet soldiered on successfully.

Yet apart from the cliff-hanger finish, the only other bright moment of a technically poor game was an Irish forward handling movement that led to the try by McKinney, who had been on the field for less than two minutes for the injured O'Driscoll.

The front five held their own and Spring, the new young lock, seems likely to grow into the role if he can fill out his 14-stone 21-year-old frame.

The new stand-off, Ward, gave a promising and stylish display in his first international, kicking two penalties and converting the try. He looked a great prospect, though he was helped well by the sharp service of captain Moloney, and by Duggan and Slattery.

The young centres tackled fast and hard, and the whole side played with spirit and commitment throughout. A more severe test will come on their outing to Paris on February 18.

STUART ALEXANDER

TV/Radio

† Indicates programme in black and white

BBC 1

9.38 a.m. For Schools, Colleges. 10.45 You and Me. 11.22 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Bod. 2.01 For Schools, Colleges. 3.15 Songs of Praise from Londonderry. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Barbapapa. 4.25 Jackanory. 4.40 Hunter's Gold. 5.05 John Craven's Newsround. 5.10 Blue Peter. 5.35 Fred Basset.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide Goes North.
6.50 Ask the Family.
7.15 Blake's Seven.
8.10 Panorama.
9.00 News.
9.25 Washington: Behind Closed Doors.
10.55 To-night.
11.35 Weather/Regional News.

All Regions as BBC1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pawa. 2.18-2.38 For Schools. 5.55-6.20 Wales To-day. 6.50-7.15 Heddiw. 11.35 News and Weather for Wales.

Scotland—10.00-10.20 a.m. For Schools (Around Scotland). 5.55-6.20 p.m. Reporting Scotland. 10.55 Public Account. 11.30 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 11.35 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

11.00 a.m. Play School.
3.00 p.m. Wordpower.
3.30 Children Growing Up.
4.00 The Object of the Exercise.
7.00 News on 2 Headlines with sub-titles.
7.05 Ancestral Voices.
7.30 Newsday.
8.10 International Cabaret.
9.00 Americans, part 2.
9.50 Marie Curie, part 2.
10.45 Just a Nimmo.
11.15 Late News on 2.
11.25 Télé-Journal.
11.50-11.55 Closedown: Peter Jeffrey reads "The Last Journey," by Gavin Ewart.

LONDON

9.30 a.m. Schools Programmes. 12.00 Noddy. 12.10 p.m. Daisy, Daisy. 12.30 Indoor League. 1.00 News plus FT Index. 1.20 Help! 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee: "Her Jungle Love," starring Dorothy Lamour, Ray Milland. 3.50 Couples. 4.20 Clapperboard. 4.45 The Flockton Flyer. 5.15 Pauline's People.
5.45 News.
6.00 Thames at 6.
6.40 Help!
6.45 Opportunity Knocks!
7.30 Coronation Street.
8.00 Miss Jones and Son.
8.30 Personal Report.
9.00 Hazell.
10.00 News.
10.30 The Big Film: "Satan Never Sleeps," starring William Holden and Clifton Webb.
12.45 a.m. Close: Leonard Pearcey reads a poem by Hilaire Belloc.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 p.m. Anglia News. 2.00 Houseparty. 2.25 Tandarra. 3.20 Arnie. 5.15 University Challenge. 6.00 About Anglia. 10.30 Wish You Were Here. 11.00 Mystery Movie: Columbo. 12.25 a.m. Reflection.

ATV

12.30 p.m. George Hamilton IV. 1.20 ATV Newsdesk. 2.25 Upstairs, Downstairs. 3.25 Looks Familiar. 5.15 University Challenge. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Bless This House. 11.30 A Prime Minister on Prime Ministers. 12.00 Something Different.

BORDER

12.30 p.m. All About Babies. †1.20 Border News. 2.00 Houseparty. 2.25 Matinee: "Weekend Nun." 5.15 Garnock Way. 6.00 Lookaround Monday. 6.15 University Challenge. 10.30 Film: "Moments." †12.30 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 2.25 The Monday Matinee: McMillan and Wife. 5.15 University Challenge. 6.00 Channel News. 6.10 Cartoontime. 10.28 Channel Late News. 10.32 Steal Away. 11.00 On Seven Hills They Build a City. 11.30 Late Night Movie: "The Face at the Window." 12.40 a.m. Channel Gazette followed by News and Weather in French.

GRAMPIAN

9.25 a.m. First Thing. 12.30 p.m. Being A Child. 1.20 Grampian News Headlines. †2.25 Monday Matinee: "The Big Job" starring Sidney James, Sylvia Syms and Dick Emery. 5.15 University Challenge. 6.00 Grampian Today. 6.10 The Electric Theatre Show. 6.40 Help! 10.30 Reflections. 10.35 Feature Film: "I Love My Wife" starring Elliott Gould.

GRANADA

12.30 p.m. All About Babies. 1.20 Dodo. 2.25 Monday Matinee: "The Chadwick Family" starring Fred MacMurray. 5.15 University Challenge. 6.00 Granada Reports. 10.30 Reports Politics. 11.00 Mystery Movie: Banacek.

HTV

12.20 p.m. Gardening My Way. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 2.25 Rush. 3.20 Out of Town. 5.15 Mr. and Mrs. 6.00 Report West. 6.22 Report Wales. †10.35 The Monday Film: "Danger Within" starring Richard Todd and Richard Attenborough.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 Report West.

SCOTTISH

1.25 p.m. News and Road Report. †2.25 Monday Film Matinee: "Backroom Boy" starring Arthur Askey and Googie Withers. 5.15 University Challenge. 6.00 Scotland Today. 6.30 Crimedesk. 10.30 Bless This House. 11.00 Master Golf. 11.30 A Prime Minister on Prime Ministers. 12.00 Late Call. 12.05 a.m. The Butlin's Grand Masters Darts Championship.

SOUTHERN

12.30 p.m. Farm Progress (repeat of yesterday's programme). 1.20 Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "I Love You . . . Goodbye" starring Hope Lange. 5.15 Mr. and Mrs. 6.00 Day by Day. 10.30 Afloat. 11.00 Southern News Extra. 11.10 Bill Brand.

TYNE TEES

9.20 a.m. The Good Word followed by North East News Headlines. 12.0 p.m. All About Babies. 1.20 North East News and Lookaround. 2.25 Power Without Glory. 3.20 Generation Scene. †3.35 The Little Rascals. 5.15 University Challenge. 6.00 Northern Life. 6.40 Police Call. 10.30 Northern Scene. 11.00 Monday Night Movie: "Straight On Till Morning" starring Rita Tushingham. 12.45 a.m. Epilogue.

ULSTER

1.20 p.m. Lunchtime. 2.00 See You Monday. 2.30 Monday Matinee: "The Smallest Show on Earth" starring Virginia McKenna, Bill Travers and Peter Sellers. 4.18 Ulster News Headlines. 5.15 University Challenge. 6.00 Ulster Television News. 6.05 Upsquares and Down. 6.30 Reports. 10.30 Two at 10.30. 10.35 Review looks at the latest publications in the book world. 11.05 Fireside Theatre, followed by Bedtime.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 The Monday Matinee: McMillan and Wife. 5.15 University Challenge. 6.00 Westward Diary. 6.20 Sports Desk. 10.28 Westward Late News. 10.30 Steal Away. 11.00 Politics West. †11.30 Late Night Movie: "The Face At The Window" starring Tod Slaughter. 12.40 a.m. Faith for Life.

YORKSHIRE

12.30 p.m. All About Babies. 1.20 Calendar News. †2.25 Monday Film Matinee: "Back Room Boy" starring Arthur Askey and Googie Withers. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 The Savage West: "Five Card Stud" starring Dean Martin and Robert Mitchum.

RADIO 1 — 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Peter Powell including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.00 BBC Northern Radio Orchestra (joins Radio 2). 10.02 John Peel (S). 12.00-12.05 a.m. As Radio 2.

VHF Radios 1 and 2: 6.00 a.m. As Radio 2, including 1.55 p.m. Good Listening. 10.02 With Radio 1. 12.00-12.05 a.m. With Radio 2.

RADIO 2 — 1,500m and VHF

6.00 a.m. News Summary. 6.02 Ray Moore (S) with The Early Show, including 6.15 Pause for Thought and 7.05 Cricket—Third Test: Pakistan v. England (report). 7.32 Terry Wogan (S) including 8.02 Cricket—Third Test (further news), 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Cricket: Third Test (tea-time report). 10.03 Jimmy Young (S) including 12.02 p.m. Cricket—Third Test (further report). 12.15 Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 BBC Northern Radio Orchestra (S). 7.33 Alan Dell: 7.30 The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 You've Got To Be Joking. 10.30 Star Sound. 11.02 Brian Matthew with The Late Show. 12.00-12.05 a.m. News.

RADIO 3 — 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Overture (S) (VHF only from 7.20). 7.30-9.50 Cricket: Third Test: Pakistan v. England. 8.00 News (VHF only). 8.05 Morning Concert (S) (VHF only). 9.00 News (VHF only). 9.05 This Week's Composer: Brahms (S) (VHF only). 9.50 Talking About Music (S). 10.20 Richard Doring Motets (S). 11.10 Clarinet Trios (S). 12.00 BBC Welsh Symphony Orchestra (S). 1.00 p.m. News. 1.05 BBC Lunchtime Concert (S). 2.05 St Albans 77 (S). 2.55 Matinee Musicale (S). 3.55 Beethoven's C Sharp Minor Quartet (S). 4.35 New Records (S). 5.15 Bandstand (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Home and Family. 7.30 BBC Northern Symphony Orchestra (S). 8.25 Controls and More Controls. 8.55 French Baroque Cantatas (S). 10.00 Music In Our Time (S). 10.55 Jazz in Britain: Turning Point (S). 11.25 News. 11.30-11.35 And Tonight's Schubert Song on record.

RADIO 4 — 434m, 285m and VHF

6.15 a.m. News. 6.17 Farming Week. 6.35 Up To The Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up To The Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today including news headlines, weather, papers, sport. 8.45 James Cameron with the BBC Sound Archives. 9.00 News. 9.05 Start The Week With Richard Baker (1 from 9.45). 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 The Glastonbury Ring. 11.50 Announcements. 12.00 News. 12.02 p.m. You and Yours. 12.27 Top of the Form. 12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World At One. 1.30 The Archers. 1.45 Woman's Hour (1 from 2.00) including 2.00-2.02 News. 2.45 Listen With Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. †5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 What Ho! Jeeves. 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play: "Lady Windermere's Fan." 9.15 Speaking For Myself. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Through African Eyes. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 News.

For Schools (VHF only) 9.05 a.m.-12.00 and 2.00-3.00 p.m.

BBC Radio London — 206m and 94.9 VHF

5.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Weekly Echo. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town (as 11.03 a.m.). 8.30 Breakthrough. 10.03 Late Night London. 12.00—Close: As Radio 2.

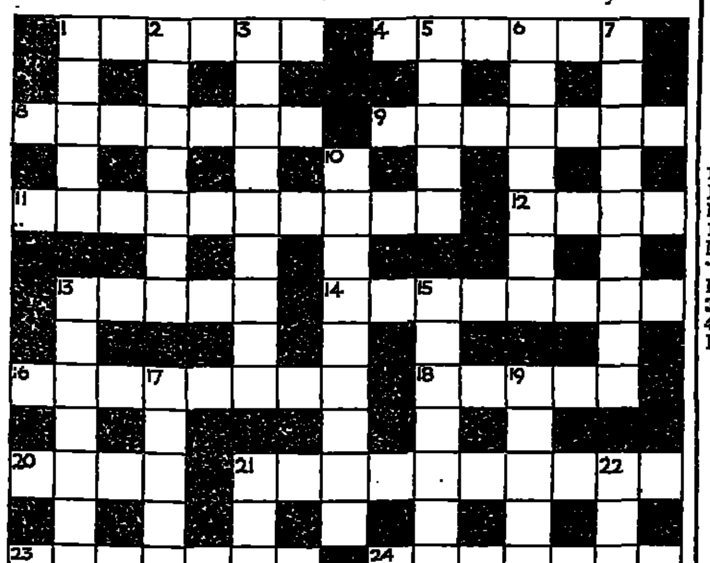
London Broadcasting — 261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 "A.M.": non-stop news, travel, sport, reviews, information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'clock Call. 8.00 After 8—with Ian Gilchrist. 9.00-1.00 a.m. Nightline.

Capital Radio — 194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash with Cash on Delivery (S). 3.00 p.m. Roger Scott with his Three O'clock Thrill (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Jonathan King (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,574



ACROSS

1 Upright down under (6)
4 Compensation when not on location (6)
8 Withdraw a pamphlet from the sappers (7)
9 Hastens behind a woman's skirts (7)
11 A retail cut could be distinct (10)
12 The Head gives a spread (4)
13 A mouthful of food, we hear, in the bay (5)
14 The object we have to annoy, maybe to jeopardise (8)
16 Aircraft carrier provides refuge fit for a king (3, 5)
18 Check the companion plant (5)
20 Drug for a virile politician (4)
21 Send back the food—either way you pay (6, 4)
23 A friend finds the city unprofessional (7)
24 "I tended while it —— nigh, leaving me never alone" (Hardy) (7)
25 News I'd take to town (6)
26 Graced the worker round the river (6)

DOWN

1 "Down the vast edges —— and naked shingles of the world" (Arnold) (5)
2 Profession which causes the railway union to raise its voice (7)
3 Emergent nation from the hinterland (2, 7)
5 A lucky shot may make you flounder (5)
6 Repress? Possibly is not up to it (3, 4)
7 Five per cent. completes the score (9)
10 Attendant in orbit (9)
13 A stack of grain from Mary-le-Bow (6-3)
15 What is left in a portion of choice fish (5, 4)
17 Reckoned to place oriental in the red (7)
19 Mostly a Welshman needs a letter to take silk (7)
21 Touch down at Eton brings colour to the cheeks (5)
22 Here's the steward—it may be ruff (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Promotion can bring problems

SOCCER

BY TREVOR BAILEY

TWO OF THE MOST successful and exciting teams in the Third Division, Gillingham and Cambridge United, who both have scored more than 50 goals this season, met at Priestfield Stadium on Saturday in a match that was thoroughly entertaining, especially in the first half.

Gillingham deserved their 3-1 win, which takes them level with the leaders, Tranmere — the highest position they have occupied—while Cambridge are fourth, just behind highly talented Wrexham, who must be firm favourites for promotion in their present form and with games in hand.

There was little to choose between the two sides who fielded standard 4-3-4 formations in the early stages. Although Cambridge displayed a shade more imagination, a misunderstanding between their centre-half and goalkeeper allowed Price to put the ball inte an empty net.

Before they had fully recovered from this setback, Price increased his team's lead, when he nipped between two defenders to score from a splendid back-header by Richardson.

Cambridge, who were far more impressive in front than in defence, reduced the arrears when, following a period on the offensive, Fallon hit a spectacular first-time drive from fully 40 yards, straight into the top corner.

After the interval Gillingham threatened rather more, and created the best chances without increasing their lead until towards the end. Ten minutes from the final whistle both teams introduced substitutes without noticeable effect, but another defensive mix-up enabled Richardson to score from close in.

How did the standard of football compare with that in the First Division? The big difference was that the pace was noticeably slower, largely because there was far less first time passing to colleagues running into space, though the small, chunky Spriggs proved an exception. Both teams were inclined to mount their attacks on too narrow a front. But there was plenty of skill and effort.

Gillingham were much tighter at the back, and rather more inventive in midfield, where the left foot of Crabbe was much in evidence. In attack Westwood, formerly with QPR, showed class and pace. Cambridge left-back Buckley caught the eye, although their leading goal-scorer, Bil[l] only gave occasional glimpses of his undoubted potential.

The 10,500 crowd was Gillingham's largest of the season, 4,0[00] above normal. Cambridge, [ad]mitted to the League in 19[..] average only 5,000. So neither really has sufficient support to afford both Second Division p[...] and facilities.

Another Borg-Connors battle

TENNIS

BY JOHN BARRETT
BOCA RATON, Jan. 22

THE CONFRONTATION at the top of the world game, between the 21-year-old Swede Bjorn Borg, and Jimmy Connors, 25, the best of the Americans has become as fascinating as those rivalries between Laver and Rosewall, Kramer and Gonzales, and the two Helens, Wills and Jacobs.

As a result of Connors's 6—2, 6—4 semi-final win yesterday against New York's Vitas Gerulaitis on the slow clay of the Florida resort, Boca Raton, Connors and Borg meet to-day for the second year running in the final of the $250,000 Pepsi Cola Grand Slam, worth $125,000 to the winner.

Last year, Borg won a fascinating match 6—4, 5—7, 6—3, and had a more important victory over five sets in that marvelously exciting Wimbledon final. Two weeks ago, Connors beat a semi-fit Borg for the Colgate Masters title, to bring his total of wins to eight in their 11 meetings since 1973 when Borg, aged 17, won the first match they played in the semi-final of the Stockholm Open.

This week, they are once more just as likely finalists in the $225,000 U.S. Pro Indoor Championships at Philadelphia's giant Spectrum stadium. This is the second and largest event in the World Series of Tennis—the eight-tournament circuit promoted by the Dallas-based promotion group World Championship Tennis Inc. who since 1968 have run an independent series with a play-off event [in] Dallas during May.

This year, for the first time the World Series is also part [of] the Colgate Grand Prix competition — the season-long point linked circuit embracing [...] tournaments in some 23 countr[ies] that was devised originally [by] Jack Kramer in 1970 as [an] Establishment weapon to fi[ght] WCT.

After eight years of rival[ry] which included the banning [of] WCT players from Wimble[don] in 1972, the two circuits ha[ve] united—a sign perhaps [that] tennis is reaching maturity [at] last. The cricket authorities [in] their present conflict with Ke[rry] Packer could well learn fr[om] the experience of tennis.

The new British No. 1 Bus[ter] Mottram and the man he [re]placed, Mark Cox, are the o[nly] Britons in Philadelphia.

The Dealer proves himself

RACING

BY DOMINIC WIGAN

THOSE—myself included—who had considered The Dealer ridiculously priced at only evens or thereabouts in another highly competitive running of Haydock's Embassy Premier Chase Final on Saturday, could hardly have been proved more wrong. The Winter eight-year-old won virtually as he pleased.

Always travelling smoothly in the hands of an ultra-confident John Francome, The Dealer appeared a "racing certainty" bar a fall a long way from home as he cruised on the heels of Kilbroney. Sent into the lead approaching the last-but-one fence the Raise You Ten gelding needed only to be ridden with hands and heels to assert his superiority over that smart Northern hope True Wish.

Although there is no way of gauging the exact merit of the form, True Wish, the extremely easy winner of the Gamekeeper Chase, on his previous appearance, is rated one of the best young chasers to have come out of Tony Dickinson's Gisburn stable, and it seems more than likely that The Dealer will now take a great deal of beating at Cheltenham — whatever his target.

While The Dealer was giving Fred Winter a third success in the Embassy Premier Chase, the Uplands representatives sent on the comparatively short trip to Kempton were, in contrast, taking a hammering. Stopped (a 7-4 favourite for the 13 runner Lanzarote Hurdle), Aquaint, and Accelerate failed to collect even place prize money.

Looking at to-day's programme it is disappointing to find that the fields for both Fontwell's Peter Duncanson's Memorial Trophy and the Faceby Novices Chase at Teesside have cut up badly. A quartet consisting of Artifice, Gathering Sto[rm], Marleymix, and Star Performance should produce an interesting race, for the Southern [con]test; but Alverton need only [indulge] in a leisurely exhibition to [beat his] sole opponent Krugenka in [the] Teesside race.

Donzel, slightly out of depth behind Radman in [the] Daily Express Triumph Hu[rdle] trial at Cheltenham last mo[nth,] returns to easier competition [in] the second division of Fontw[ell's] Burpham Hurdle, and look[s a] sound bet to regain winn[ing] form.

FONTWELL
1.30—Old Smokey
2.00—French Saint
2.30—Artifice*
3.00—Rilke
3.30—Rough and Tumble
4.00—Donzel***

TEESSIDE
1.15—Fabrica**
1.45—Blessed Boy
2.15—Gala Lad
[illegible]

ew York theatre

Golda glorified

by FRANK LIPSIUS

Vithout being a great play, *da* succeeds because of Anne ncroft's moving and exhilarat- performance as the former aeli Prime Minister. Based Golda Meir's autobiography, play was expected from the set to be a great success with ditional Broadway audiences l so could afford the trappings a major production. Besides rge cast, *Golda* reunites Miss ncroft with director Arthur n and playwright William son, all of whom previously ked together on Broadway in *for the Seesaw* and *The acle Worker*.

hese intial assets become a advantage when there is little rest in any of the characters Golda. The others are mere nding boards for her decision- king and emotions.

he play is centred on the n Kippur War, from the nent the Israelis know their b neighbours will be attack- them later that same day. rounded by cabinet col- ues urging a pre-emptive ke, the Prime Minister des that the military antage thus gained would in way compensate for the loss American support which ht result. Pacing the stage the ever-present cigarette, le up in a simple house dress, k black high-heeled shoes old fashioned stockings ed up over bulging ankles, Bancroft looks more like Golda Meir than anyone would suspect were possible.

Each decisive step in the war occasions a cabinet debate. She has the final decision to make—a woman arbitrating among top advisers with far from unanimous advice. The ultimate question is when will the Americans deliver their long-promised aid to offset the material being shipped to the enemy by the Soviet Union. Golda expresses consternation at having to make a decision, decides with some reasonable explanation and goes back to the activity that fills up the long periods while soldiers implement her choice—ruminating over her life.

As in the cabinet scenes, the biographical scenes are organised around Golda, with all the characters positioned to bring out a facet of Golda's personality, or re-create some major event in her life. Only at the end of the play, when a cabinet minister has a son at the Suez fighting zone and, in another scene, Golda recalls a soldier (now dead) do other characters take on the depth that Golda has throughout.

The director, whose past credits include the film *Bonnie and Clyde*, seems suspiciously enamoured of the technique used in that film—alternating exciting and pensive scenes in rapid succession. Here the roar of planes and documentary photos inject excitement where it might otherwise go unregistered—and unmissed. The tension of the war is broken by the reminiscences, making chopped liver of both pieces of the play, but lots of noise and military hardware cannot restore what is lost by attempting too much and ending up with too little.

*

Cold Storage is Ronald Ribman's play about a brilliant, self-educated fruit and vegetable dealer who cannot stop talking. When he talks philosophically, he is funny; when he talks about himself, he is morbid; when he suspects he is not being listened to, he becomes churlish, taunting his listener with interruption and ill-manners.

Martin Balsam plays this difficult role entirely in a wheelchair. He is a patient sitting in the hospital roof garden overlooking New York. He arrived at the hospital six months before with a tickle in his throat; he now knows he has incurable cancer. He will not leave the hospital alive. His companion has just arrived at the same hospital for exploratory surgery, which the Balsam character assumes in his cynicism and cruelty will lead to the same inevitable end for this younger man, played stoically by Len Cariou.

The younger man would prefer to live with his own thoughts, do his work or just read a news magazine. Balsam won't let him. In the second act, we learn that the younger man's taciturnity results from a traumatic childhood in Europe, where the rest of his family was sacrificed to save him from the Nazis.

Similarly, the poignancy of the other's cancer explains his garrulousness and fear of being alone, but such melodramatic circumstances are not needed to bring him to life. They at times act as a crutch to let the playwright exaggerate beyond natural limits, when less compelling circumstances might have encouraged a more interesting interplay between the characters and brought the whole of the evening to the heights of interest that so much of it attains already.

Do You Turn Somersaults, the two-character play by Aleksei Arbuzov, appeared last season as *Old World* at the Aldwych in London, with Anthony Quayle in the role of Rodion, which he also plays in New York, and Dame Peggy Ashcroft in the role of Lydia, here taken by Mary Martin, who seems no older and no less spry than in her days as Peter Pan. The American production has one grievous mistake that undermines the otherwise robust and amusing acting of the two characters. It seems clear from the text of the play that Quayle's part as the head of a seaside sanatorium is that of a typical Russian bureaucrat hiding behind rules and gruffness. Lydia tells him at one point that he is like an old poodle — grumpy but well trained; early in the play, he is aroused to conversation only to grumble at immodest modern-day fashions, where he endorses the prudery of conventional Soviet fashion.

In spite of such lines, he plays the part like an Oxford Don, acting the intellectual surgeon embarrassed rather than brought out by Miss Martin as a puckish amusing patient. Arbuzov wrote a play to show that love conquers bureaucracy; in New York that is translated into silliness conquers intelligence, a message that reflects the change in venue, but at the expense of the play and playwright.

As a result, the play has been taken here as a bit of fluff showing its author in less than dignified dotage. It is dismissed as good acting wasted on bad material. Edwin Sherin, the director, provides each of the many scenes with well-paced development and climaxes but misses the thrust of the action and the underlying point to be made at the expense of the bureaucracies of this world.

Anne Bancroft as Golda Meir

London galleries

Surrealist photography

by WILLIAM PACKER

Follow-my-leader is the obvious game for the gallery director to play when he has the chance, which is to say the work, and very sensible he is to do so: and thus it is hardly surprising to find London now full of Dada and Surrealism, ancient and modern. These satellite shows, moreover, throw a useful light on the parent body; for no survey, however scholarly and judicious it is, can ever exhaust its subject. The Hayward exhibition, despite its generous, tiring bulk, is stretched a little thin in places, with gaps to fill and points to reinforce.

Photography is an example, a medium dear to both movements, and acknowledged scrupulously in the show, but tantalisingly, with a few works by Atget and Brassai, Miller and Nash, but no Moholy Nagy, no Beaton. It needs an exhibition to itself, of course. Only Man Ray, an artist whose reputation dances through the show, is shown in strength as a photographer, and the wall full of his portraits of his fellows, including an exquisite image of Lee Miller, stops the visitor in his tracks: at which point the Arts Council has thoughtfully supplied a sofa or two.

But calmer circumstances serve his work even better: a small group of his portraits of women and some studies of the nude, mostly from the 'twenties and 'thirties, is to be seen at the Mayor Gallery (until February 28), and is very impressive. The images are deceptively simple, almost ordinary: but, whether softly focused, bleached out, harshly lit or perfectly defined, they each possess that authority and singularity that reflect the true artist's clear and purposeful vision.

A number of landscape and city photographs by Lee Miller, like Man Ray an expatriate American of long-standing, occupy the rest of the gallery, again classically simple and monumental works, though with a more obvious surrealistic gloss to them—she was after all the wife of our own pre-eminent surrealist Sir Roland Penrose. During the War she worked a great deal for Vogue as a war correspondent, and some of the work here and at the Hayward reflects that pre-occupation, especially pictures of London in the aftermath of the Blitz. The rest comes from her pre-War travels, grand images of Niagara Falls, and, a most memorable coup, the landscape beneath the shadow of the Great Pyramid.

Other shows to see in this connection are at the Photographers' Gallery (William Klein until February 18) and at Fischer Fine Art (Paul Nash until February 24). Klein, yet another American, began as a painter and is now a film-maker; but his name was made, in the 1950s as a photographer with a particularly surrealist eye for fashion. This show, however, concentrates on his view of urban man and the kind of life he leads, a subject that has sustained him over 20 years, in many cities, and led him to produce a remarkable body of work.

Paul Nash's photographs stand high among the best works of English surrealism. He took naturally to the medium, thinking at first to use it simply as a source of easy, direct reference to feed his painting, but instead he made image after memorable image, each a work of art in its own right. A portfolio of 25 of them, chosen by John Piper, has just been published jointly by Fischer, the Tate Gallery and the Nash trustees: I hope to return to it in greater detail soon.

And there are yet more photographs in *Cityscape*, the Arts Council's cosmopolitan rider to last autumn's *Modern Spirit*. The show has reached London at the end of its tour (at the Royal Academy until March 19), and at any other time would have a leading claim on our attention: but with Courbet, Dada, Lasers and Leonardo, it might too easily be over-looked. I reviewed it enthusiastically when it opened in Bradford last summer, and make no apology for plugging it again.

The range of work is very wide within the limits of its period, 1910, to 1939, and important connections are made across movements that are not considered at the Hayward: establishing the sympathy between Dada and Constructivism, for example, and the underlying importance of Expressionism. It is good to see Sickert with Hopper, Burra with Grosz and Beckman, Paul Strand, Cartier-Bresson, Walker Evans and Berenice Abbott with Bill Brandt. And Reginald Marsh is a delightful minor figure, one of several such rightly brought to light.

Man Ray: Nancy Cunard, 1925

Festival Hall

Mahler's Ninth

Twenty years ago, only the tiniest fraction of the musical population — musicians and amateurs alike — would have heard or played in Mahler's Ninth Symphony under more than one conductor. It is a sobering thought. Even implacable anti-Mahlerians now find it hard to evade his music, and devotees can amass as many accounts of most of it as of the Brandenburgs or the "Eroica." If Mahler's shade were disappointed by the decades of near-neglect, would he be happier with the current state of play

Many a conductor now feels under-exposed until "his" Mahler has been heard; and whatever his true degree of rapport with the composer, the wealth of available models supplies everything he could want to learn from. And when the night arrives, he is not offering a rare experience to his audience, not unless he is giving the Ninth its first hearing in Medicine Hat or Alma Ata: rather he submits another entry in the Mahler stakes, its form to be judged by familiar reference to the current leaders. Perhaps it is not quite true that there are no mysteries left in Mahler, but there is hardly room left for surprises: works so complex and so magisterially constructed resist personal experimentation. How, then, was Bernard Haitink's performance with the London Philharmonic on Thursday so memorably powerful?

The last time I heard Haitink conduct the Ninth, a few years ago, it was just possible to complain that the final Adagio was too coolly calculated, and so an inadequate resolution for the earlier searchings and griefs. That was not true on Thursday: the pulse of that noble threnody was as natural, and as broadly flexible, as if pure instinct guided it — which was certainly not the case. It was the same with the towering first movement, where to a jaundiced ear the crucial gear-changes, notoriously difficult, were managed with almost shockingly easy assurance. Not a seam showed, and the cumulative force of the music was immense.

The LPO rose heroically to the occasion, scrupulous string phrasing matched by outstanding brass ensemble, horns and trombones baying superbly at each other across the platform. It was not Haitink's Mahler, but simply Mahler, rendered articulate by self-effacing professional skill of a very high order — there were many passages one had hardly hoped to hear so decisively worked out. Haitink has long since found how best to display the pointed wit and savagery of the "scherzo" movements; and so the whole work emerged luminously. One won't willingly hear it again for a long time.

DAVID MURRAY

asgow Citizens

Summit Conference

by MICHAEL COVENEY

here are three characters in Robert David Donald's stimulating new tical comedy: Eva Braun, a Petacci and an attendant ier. The scene is a large, key-grey upper room in the in Chancellery, the year , shortly before Hitler ies to attack Russia. I can- identify the actual meeting g held downstairs between r and Mussolini, but the ng is a potent one. While nasters of Europe's fate are d away in conference, their ctive mistresses discuss the l as they see it, the Holly- movies, fashion, the role omen and their own situa- as "two people who are not to functions."

e play splits clearly into sections: the first act is ed to the argument, the d to a demonstration in the young soldier, played iark and moving solemnity rry Cooper (well, Eva does, e end of the play, reveal the dreams of Clark Gable huting down into the Chan- y gardens!), is subjected out of brutal interrogation; ghout, he retains a calm curiously modern dignity. epresents the "persecut- minority" that Eva, rabidly emitic, recommends Clara l for Italy by to-morrow at test.

re is plenty of cut and in the dialogue; it is like ng *Fallen Angels* played lle Davis and Myrna Loy. vernous stage area, beauti- lesigned by Philip Prowse also directs) features an ed settee, an upstage door, with the wall, that travels l height of the scenery and ored cocktail cabinet to make the surprising point that, while the Fuhrer disapproved of alcohol for the masses, he did not deny it in his private hospitality. Four white models—a pyramid, a mosque, a fortress and a triumphal arch—convey brilliantly a sense of Nazi power lust, while an Olympic-style grey bowl sprouts flames at the end of the first half as Eva and Clara seal their conspiratorial relationship with a loving kiss.

Knowing little about Eva Braun beyond Hitler's evaluation of her as a convenient blonde with not much between her ears, it is fascinating to see Ann Mitchell present an aggressive symbol who claims to have done more for Jewish consciousness than anyone since Arthur Balfour. Once she and Clara have humiliated the guard, Mr. Cooper delivers a memorable speech that both outlines his antecedence as a German Jew of Polish origin and strikes at the heart of Nazi ideology: "In every country, someone within its frontiers is defining a group of fellow-citizens whose actions, while in no way considered criminal at present, are to be in some way restricted: and there, assured by bureaucratic continuity, are the seeds of an efficient killing operation."

Julia Blalock as Clara is an effective foil to Eva's fanaticism, lusciously Italianate and extravagantly vacuous. She is resigned to her function as a public whore and yet wears black not because she is in mourning for her life but because it is chic. The writing bristles with good jokes and interesting information and amounts to yet another irresistible exercise in style. This extraordinary theatre's hot streak shows no sign of cooling.

Elizabeth Hall

Panufnik & Curzon

by DOMINIC GILL

The London premiere in the Northern Sinfonia's programme under Christopher Seaman on Friday evening was a new *Sinfonia mistica* for chamber orchestra by Andrzej Panufnik (b. 1914). The *mistica* is Panufnik's Sixth: and the music is, consciously, related in almost every aspect to that number—the work falls into six sections, based on six triads, six melodic patterns, six harmonic combinations, composed in the meter of six. But that is really by the way. The work strikes the ear more simply, as two kinds of music, variously elaborated, alternated three times: the one, a sequence of slow, sustained *religioso* harmonies, heavily sweetened with the added sixth, owing more than a little to Messiaen; the other, a web of short, jerky figurations tossed quickly around the ensemble until the *religioso* music returns.

And that, for 21 minutes, is chiefly that. In the final section, Panufnik combines the two types to give an illusion of a *stretto*, then brings together his forces for the last four pages in one massive, triple-fortissimo chord—odd, curiously bilious effect, like off-colour Strauss. But no harm done: after the *Sinfonia mistica* we trooped off for the interval happy as birds. The great virtue of such simple, simple-hearted music is its inoffensiveness: quick to hear, quick to forget, and pass on. By the end of the interval, memories were already fading fast.

Two of the evening's three other performances were not either of them really more memorable: a severe, rather fast account of Bach's D minor concerto for oboe and violin; and a somewhat shapeless reading of Dvorak's early, magically Wagnerian Nocturne for strings op.40. But the Northern Sinfonia's finale, with Clifford Curzon, of Mozart's piano concerto K491 left some fine, ringing echoes behind it. It was not Curzon's easiest, most relaxed performance of the C minor concerto; there were some moments of stiffness, a few divergences of purpose between soloists and orchestra, one or two odd, unexpected fluffs. But it had, unfailingly, real movement, real life: it was made, in every bar, and even in the less successful bars, with the imagination, close focus, finesse and quiet radiance which informs all of Curzon's work. The high point was not the first or the last movement, but the wonderful, luminous Larghetto—sublimely simple, profoundly complex, timelessly sad.

Gulf Oil backs Beethoven cycle

Gulf Oil Corporation is sponsoring the cycle of three concerts at which Vladimir Ashkenazy, and the Scottish National Orchestra are playing all the Beethoven piano concertos at the Usher Hall, Edinburgh, and the City Hall, Glasgow.

The programme also includes music by Berg, Schoenberg and Webern.

Ashkenazy will play Beethoven's Piano Concertos Nos. 2 and 4 on January 31 and February 1 and No. 5 (Emperor) on February 3 and 4, conducted by Gary Bertini.

This is the second year of Gulf's association with the SNO. Both the 1976-77 and 1977-78 concert seasons in Aberdeen have been sponsored by Gulf. In addition to the Beethoven cycle, 1978 will also see the release by RCA of a Gulf-sponsored recording of music by the Danish composer Carl Nielsen.

Poetry competition

The English Association is to hold one of its rare poetry competitions. Dannie Abse is to be the adjudicator; the competition will be open and prizes to the value of £85 will be awarded.

As a variation from recent competitions, there will be a set subject: "Frontiers."

Particulars of entry may be obtained by sending a stamped and addressed envelope to the Secretary: The English Association, 1 Priory Gardens, London W4 1TT.

Swedes at NFT

Film-makers and representatives of the Swedish Film Institute are visiting London for the National Film Theatre's Swedish Week opening on Monday, January 23. Eight features will be premiered and Susan Hampshire and Robert Farrant will be present to introduce films in which they star.

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Monday January 23 1978

Tokyo Round in top gear

WELL OVER four years since they were officially opened in Tokyo, the latest round of world trade negotiations in GATT are finally moving into top gear. The decisive final phase of the talks opens in Geneva to-day with the tabling of the American negotiating offer and a high-level meeting to be attended by the chief negotiators of the three major participants —the U.S., the EEC and Japan. Following the presentation of the Community and Japanese offers last week, all the most important negotiating cards are now on the table.

Protectionism

The success of the Tokyo Round, however, is still far from assured. The climax of the negotiations comes at a time when the prevailing international trend is towards protectionism rather than trade liberalisation. It is not just that vulnerable industries and those employed in them are screaming for protective action by their Governments. Many Governments have gone some way towards yielding to these pressures — the international steel trade is being organised to restrain the full play of market forces and the EEC has imposed tough new limits on textiles imports—while all round the world individual Governments are introducing new restrictions. GATT has drawn the tentative conclusion that since 1974 between 3 and 5 per cent. of world trade (some $30bn. to $50bn.) has been affected by such measures.

It is precisely for this reason that the Tokyo Round is so important. A failure in Geneva would signal to all those arguing for further protectionism that the West's leading Governments had lost the will to pursue the cause of freer trade and open the way for a return to the beggar-my-neighbour policies of the 1930s. And yet it is obviously not going to be easy for Governments to make major public commitments to trade liberalisation in the present climate. France, for example, is most reluctant to embrace the principle of big new tariff cuts two months before crucial general elections, and traditionally free-trading Britain is showing similar reservations.

If Governments such as these are to be able to accept tariff cuts of the order envisaged (around 40 per cent.), it is clear that parallel progress will have to be made in improving safeguard mechanisms to protect sectors with genuine grievances. The suggestion that safeguards ought to be applicable selectively against the worst offenders is a sensible one. The current GATT instrument is a blunt one and needs updating. But it must be established that safeguards can only be introduced after full consultations and under the closest supervision.

Equally, it would be wrong to lose sight of all the other important elements of the negotiations, such as new codes of conduct on Government procurement, technical standards, customs valuation and import licensing—not to mention export subsidies, counter-vailing duties and the whole vast field of non-tariff barriers. The Tokyo Round is not just about tariffs. It is intended to create a whole new framework for the conduct of world trade throughout the next decade and beyond.

Investment

That is why it is so vital that the talks should succeed. It is not simply a question of warding off short-term protectionist pressures. If the investment needed to pull the world out of recession is to be forthcoming, the international business community must be reassured that markets will remain open in the years ahead. It must also be left in no doubt that there is no avoiding the major restructuring of Western industry that will be imposed by the development of the Third World between now and the end of the century. The coming year in Geneva will be crucial. If the opportunity is missed now, it may not arise again for a very long time.

A subsidy to be questioned

THE GOVERNMENT would be wise to pay more attention to the criticisms that have been levelled at the Temporary Employment Subsidy than the Prime Minister seemed prepared to accept when answering questions in the Commons last week about the European Commission's attitude to the scheme. Whatever merits the subsidy may have had when it was introduced 2½ years ago have been severely eroded by the many modifications the scheme has since undergone.

Rate doubled

As originally conceived, TES could be regarded as a relatively cheap way of keeping people off the unemployment register and of preserving industrial capacity pending an upturn in demand. It was paid at the rate of £10 a week for each full-time worker for a maximum of three months, with the possibility of an extension for a further three months, to firms in the assisted areas who faced the prospect of having to make 50 or more workers redundant in the period between August 1975 and August 1976. Depending upon the earnings of those whose jobs would be saved, the flowback to the Exchequer in the form of tax and national insurance contributions and savings in unemployment benefit would reduce the net cost to relatively very little.

Since then the normal rate of payment has been doubled to £20 a week; the maximum period of payment has been extended first to 12 months and then to 18 months (with a supplementary rate of subsidy of £10 a week during the final six months); the scheme's coverage has been extended to the whole of Great Britain; the redundancy threshold has been reduced from a minimum of 50 workers, to 25, and then to ten; and the validity of the scheme has been extended in successive stages to March 1978, with final payments now due in March 1979. In short, the scheme—and fewer than 5 per cent. of all applications are turned down—has been allowed to degenerate into something much more akin to a semi-permanent employment or production subsidy.

This is one aspect which has concerned the Commission in Brussels. The Treaty of Rome specifically provides for measures to be taken in areas of serious unemployment or at times of serious economic disturbance. But preference is given to measures designed to solve problems and create new employment as against those that simply preserve the status quo. TES may have saved more than 400,000 jobs at various times and 186,000 currently. But its gross cost this financial year will be more than £220m., or about as much as the old regional employment premium; and the criteria for payments is related solely to the avoidance of redundancy rather than to training in new skills, the provision of new investment, or the creation of alternative jobs.

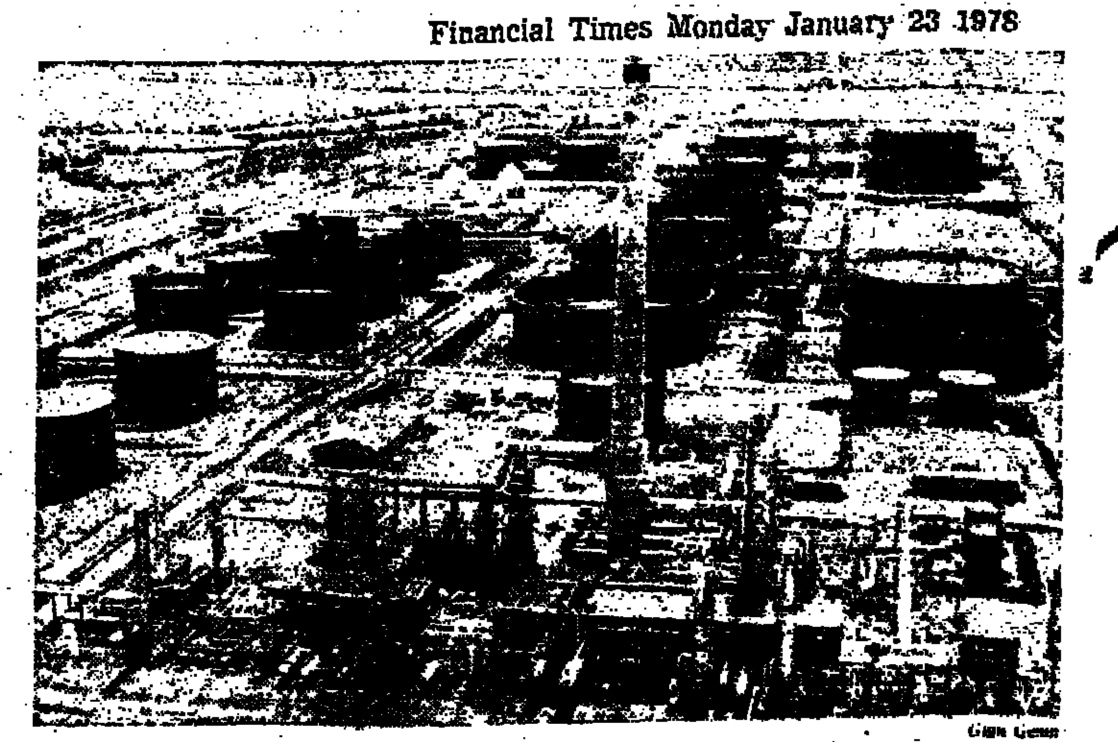
The doubling of the rate of subsidy and the trebling of the maximum period of payment has moreover considerably increased the risk of saving jobs merely at the expense of output and jobs elsewhere. The heavy concentration of TES payments in the textile and clothing industries—which received just over half of all TES payments in the scheme's first 19½ months—has led to a formal complaint from the Irish Government regarding the competitive effect upon its own firms. And job displacement has also occurred in this country, as an official Department of Employment survey indicated almost two years ago. The same survey showed that, because almost half of the jobs saved are those of women earning considerably below the national average wage, TES payments can be equivalent to as much as 40 per cent. or more of the average redundant employee's earnings.

More effective

All in all, therefore, the Commission's request does not seem unreasonable. It is not asking for TES to be abolished. But, should it be continued or replaced by some other scheme, then it wants payments to be limited to six months initially with a further six months at a lower rate and the avoidance of an undue concentration upon any one sector. Even so, one still cannot help but wonder—as the select committee said the other day about the £65m. annual cost of keeping open the Beswick steel plants—whether all this money could not be spent more effectively in some other way.

The oil majors may be sowing the seed of future problems as they try to deal with their present difficulties. Ray Dafter reports.

A glut of oil refining in Western Europe



The Amoco refinery at Milford.

THE SAD results of the West German subsidiaries of British Petroleum and Shell published in the past week have pointed again at the parlous state of the oil refinery market in Western Europe as a whole. Deutsche BP's balance sheet losses reached DM124m. (about £31m.) last year, almost double the deficit of 1976. Deutsche Shell suffered an even greater setback: it lost DM400m. (about £100m.) on its oil business as against DM186m. in 1976.

The figures reflect the continuing glut of oil products, severe production overcapacity and intense competition in the market place. They will also reinforce the EEC Commission's renewed attempt to bring more order to the industry by encouraging a cut-back in the present refining capacity.

Shrugging off repeated rebuffs from EEC Energy Ministers last year, the Commission will present a new formula to the planned Energy Council meeting in March. The Commission wants EEC Governments to tackle the problem by calling a halt to new construction and by taking less efficient refineries out of service.

Under pressure from five major European oil companies —CFP and Elf-Aquitaine of France, ENI (Italy), Petrofina (Belgium) and VEBA (Germany)—the Commission last year recommended a cut of 16 per cent. in EEC refining capacity. In order to obtain an acceptable plant utilisation level of 80 per cent. some 140m. tonnes a year of primary distillation capacity would have to be taken out of service, the Commission said.

Such a programme of closures would be roughly the same as shutting down the entire U.K. oil refinery industry—such is the measure of the problem. But stopping expansion projects and closing old plants (in some cases the most profitable ones) is easier said than done. The proposals cut across both national and commercial aspirations.

Mr. Anthony Wedgwood Benn, Britain's Energy Secretary, is one who will probably oppose such a broad brush solution in March. He is anxious to see North Sea crude oil upgraded to more valuable products, a view supported by trade unions—most vociferously by the Association of Scientific, Technical and Managerial Staff — and by the chemical Economic Development Committee. Far from closing refineries, the British Government is supporting, often with economic aid, more than £1bn. worth of refinery expansion and modernisation. Much of this money is being spent on upgrading facilities to produce lighter, more valuable products, although there are at least two new primary distillation plants under development: Cromarty Petroleum's export refinery at Cromarty Firth and Occidental's partly-built unit on Canvey Island in the Thames Estuary. (This expansion is going ahead in spite of warnings by BP, Shell, Esso and others that no new basic capacity can be justified before the mid-1980s.)

This does not mean, however, that there will be no rationalisation. Commercial forces are already taking a hand in this. Last week Mr. Hellmuth Buddenberg, managing Board chairman of Deutsche BP pointed out that the average loss per tonne of oil sold in Germany was DM17 and he repeated an earlier Esso warning that refineries would be shut unless prices were increased and market conditions improved. The accumulated industry losses on oil sales by the German industry as a whole over the past three years had amounted to DM6bn., he said.

A good deal of refinery capacity has been taken out of service already, probably over 10 per cent. in Europe as a whole. A recent report by brokers Fielding, Newson-Smith shows how deeply the economic recession and energy conservation measures have cut into refinery operations. The figures, reproduced here, show that when throughput is measured against the total amount of capacity installed at the end of 1976, plant utilisation has fallen well below the two-thirds mark in many instances. The export-orientated Italian refiners have been particularly badly hit.

The fact that these statistics do not square with the latest figures emanating from national refinery industries is a reflection of the amount of equipment which has been mothballed, taken out of service for prolonged maintenance or simply closed for good.

In the U.K., for instance, it is estimated that last year refineries were operated at 123.8m. tonnes a year as opposed to a nominal capacity of 145.6m. tonnes a year. Esso has taken out of service some 7.4m. tonnes of its 34.7m. tonnes a year capacity; BP's Llandarcy refinery near Swansea is now being operated as a 5m. tonnes a year unit with 3m. tonnes of capacity temporarily shut down. And at Stanlow in Cheshire, 5m. tonnes of capacity has been put on standby, reducing Shell's available capacity there to 14m. tonnes a year.

The same is happening elsewhere in Europe. In France Elf-Aquitaine says it is operating at a comfortable 85 to 90 per cent. of capacity only because it has shut down a 2.5m. tonnes a year plant at Ambes. In Germany Mr. Wolfgang Oehme, chairman of Esso AG said that the company would decide in the next few weeks which refineries might be affected by closures. The future of plants at Cologne and Karlsruhe were under discussion.

And in Italy where refiners are facing a capacity surplus of around 70m. tonnes annually there are plans to contain the industry's capability at the existing 185m. tonnes rather than the 240m. tonnes envisaged as a result of approved expansion plans.

Plans for bringing greater order to the Italian oil processing industry are linked with the country's broader energy programme and the Industry Ministry's proposals for restructuring the refinery business. ENI, the State hydrocarbons agency, has said that the restructuring would include the eventual closure of nine so-far-unnamed refineries representing a total reduction in capacity of 16m. tonnes a year. A production unit at Bari has already been closed.

BP and Shell, disenchanted with the Italian market and price restraint, have already sold their interests to the private Monti Group and to ENI respectively. But the picture is not wholly black. An ENI spokesman said that while the operation of small basic distillation units was no longer viable, the bigger, more sophisticated complexes, capable of producing much more of the lighter products, had far better prospects.

The experience of the Italian refinery industry in wanting to produce more high-value products and in facing the challenge of rising imports illustrates two other factors of European refinery policies which complicate the basic supply and demand equation.

To take the first point, the call for more upgrading facilities—new catalytic crackers, hydrocrackers and the like—has become something of a cliche in the industry. There are few, if any, major oil companies not engaged in some modification of refineries.

Within the past fortnight two U.S.-based companies, Amoco and Murphy Oil, have announced they are to build a new catalytic cracker and associated units in South Wales at a cost of perhaps £75m. The work will be carried out at Amoco's existing Milford Haven refinery, close to the site of a similar £290m. project being undertaken by two more U.S. groups, Gulf and Texaco. Mobil, Shell, BP, Total and Petrofina are among those, just in Britain, that are investing in plants designed to boost production of petrol and chemical feedstock. And so it is in Western Europe in general.

But there is a danger that by trying to extricate itself from one mess the refinery industry might be sowing the seeds of a new problem, that of serious overcapacity in costly cracking units.

At the moment the modifications make sense. In spite of the general surplus of primary distillation capacity, companies are operating their cracking units close to optimum levels. With basic fuel oil selling at around $70 a tonne and petrol fetching nearer $140 a tonne there is a clear incentive for producing the lighter products, the demand for which is holding up more strongly than for the rest of refinery output.

However, what happens when, in the early 1980s, all of the cracking facilities are on stream? And what happens if there is a sudden, unexpected surge in demand for heavy fuel oil? This prospect cannot be discounted, certainly in the U.K., for if the coal industry fails to meet its target for increased production (and the signs are not encouraging) fuel oil might well become more eagerly sought after. At the moment petrol has a two-to-one advantage over fuel oil in pricing terms. Oil companies believe that so long as the advantage does not slip below 1.5-to-one they can justify their investment in cracking plants. Below that and they may be forced to shut down units.

This leads to the second complicating factor. No one is sure how much the European products market will be upset by imports, from the Middle East and the Mediterranean countries in particular. An EEC Commission report, published last year, showed that present refinery capacity in these two regions was 160m. tonnes a year. This refinery base might be expanded to between 260m. and 373m. tonnes a year in a few years.

Although the requirements of the U.S. and Japan might rise there was little doubt that increasing quantities of product exports would be directed towards the Community market, the report said.

Surprisingly, the Community has made little play of what many would regard as a bonus. Consumers are currently benefiting from relatively cheap products. In Britain the price of four-star petrol has fallen in the past year from an average 78p a gallon to 75.6p a gallon in spite of a notional 2p-a-gallon rise last spring. West Germany a favourite country for small oil traders dealing in spot lots of products, vies with Britain as one of the lowest-priced petrol markets in Europe.

It is questionable whether a climate of cheap product prices is advisable in the light of the need to conserve energy resources.

REFINERY UTILISATION

(barrels a day)

	U.S.	Japan	W. Europe*	U.K.	W. Germany	France	Italy
Capacity	16.45m.	5.35m.	18.41m.	3.02m.	3.12m.	3.48m.	4.46m.
	%	%	%	%	%	%	%
1974	85	84	72	76	72	78	62
1975	84	76	58	64	59	62	46
1976 Q1	84	82	62	65	60	75	47
Q2	86	77	61	65	62	66	48
Q3	90	76	64	62	69	72	51
Q4	91	83	68	70	69	76	53
1977 Q1	87	83	66	65	67	75	52
Q2	88	78	58	62	62	62	47
Q3	90	78	n/a	59	66	68	47

* Belgium, France, Italy, Netherlands, Spain, U.K., W. Germany. Source: Fielding, Newson-Smith and Co.

EXISTING AND FORECAST REFINING CAPACITY SURPLUS IN THE EEC

(Assuming no EEC intervention)

Million tonnes a year

	1973	1974	1975	Estimate 1980
Inland consumption	516	480	442	516
Bunkers	38	32	31	37
Exports	53	47	33	—
Imports	30	35	39	—
Net exports	23	12	−6	—
Refinery own-use/loss	33	32	32	39
Crude oil requirement	610	556	499	592
Nominal capacity (mid year)	770	815	850	880
Utilisation ratio of nominal capacity	80%	70%	60%	67%
Spare capacity at maximum utilisation 85% (average '63/'73)	45	135	221	160

Source: EEC

MEN AND MATTERS

Love, hate—and American Rules

No sooner had Washington got over the spectacle of seeing Richard Nixon back in town and in the limelight alongside Gerald Ford, Jimmy Carter and the memory of Hubert Humphrey than it learned of the professional demise of another man whom, in recent years, it has learnt to love and hate.

That man is George Allen, coach of Washington's favourite American Rules football team, the Redskins, since 1971. Allen was sacked following a contractual dispute with the team's owners, the last and for Washingtonians most traumatic removal in a long series of purges which have characterised the sport this season.

Last season nearly half the coaches of the 28 league teams have been fired, which makes the job of coaching a professional American Rules football side one of the most insecure jobs in the whole of the United States these days.

Redskin-following Washingtonians loved Allen for the great American reason that he was a success. Apart from a brief moment of glory under the late, lamented and now virtually deified super-coach Vince Lombardi, the Redskins lost many more games than they won—until Allen took over seven years ago.

Allen dredged up ageing players from the football scrapheap, whipped them to a high pitch of tension every week by highly controversial means akin to psychological warfare and never had a losing season as a result.

But the Redskins never actually won the coveted "super bowl" and Allen made many enemies by treating all those who questioned his methods with curtness and contempt. If the team, heaven forbid, actually lost it had always been robbed by an inept referee, a cruel twist of fate or even an act of God (and the Lord, it should be said, was frequently invoked on the side of the Redskins.)

It was an approach which was, indeed still is, familiar and acceptable in parts of the Mid-west and Deep South, but it sat increasingly uncomfortably in a Washington which, while accommodating a born-again Southern President, considers itself a sophisticated place and expects its football team to respect that fact.

Any complaints?

If you, like me, are infuriated by the virtually unmitigated drivel which comes out of your radio every morning you will welcome the news that Radio 4 is to start a correspondence column next month.

It is one of a series of programme changes just announced by Radio 4 controller, Ian McIntyre.

In future, viewers and listeners will be able to comment or complain to the BBC about its programmes. Top Corporation staff will come on the air to reply. The programme, so far untitled, will go out on Sunday morning, as part of a general move to beef up the week-end's airwaves for Radio 4 listeners.

Prime candidate for a guest appearance could be McIntyre himself. In roughly 18 months he has turned Radio 4 schedules upside down, including a strongly criticised revamp of the To-day programme.

At a Press conference to explain the changes, McIntyre said he would speak on the new programme, if asked. Later, the BBC complimented him on his valour.

It all looks like a welcome move in the direction of more open broadcasting. Last July, McIntyre was so infuriated by leaks of programme changes that he threatened to cancel the revised schedules in revenge.

Meanwhile, commercial radio is beginning to show an almost embarrassing level of profits. Most of the new stations are now in the black, while Radio 4, which collars the lion's share of radio money, seems to be running short. If you want to know why you will soon be able to ask.

"I do not think Morecambe and Wise have anything to worry about."

Home-spun fares...

President Carter is a great believer in the need to clarify bureaucratic language. His Administration has just made a significant contribution towards this end in its explanation for disallowing the cost of first-class air fares as a tax deduction. It runs as follows:

"The proposal would make the tax system fairer. For most people, first-class air fare is a luxury. Present law requires the many taxpayers who cannot afford first-class fare for themselves, to subsidise such travel by others. The additional personal comfort provided by first-class accommodations is not necessary for the conduct of business. Both ends of the plane arrive at the same time."

... and in-flight romance

A colleague who recently flew from New York to London tells me that the journey made him worried about the effect of alcohol on passengers in high-altitude jets. After a woman sitting next to him had downed three post-prandial brandies she fell asleep with her head on his shoulder and did not stir for half an hour or so, when she suddenly leaned towards him and kissed him with great enthusiasm. Before he had time to say anything the woman had drawn away from him. "I'm most awfully sorry," she said: "I thought you were my husband." What worries my colleague is that he *is* her husband.

Hang on

While on the subject of air travel a Sussex reader reports she had the following letter from her local travel agency: "Dear Sir, We regret to inform you that all the seats on the charter flight you mention have already been booked. However, we will let you know if anyone falls out, as often happens." That's not tax-deductible either.

Observer

FINANCIAL TIMES SURVEY
Monday January 23 1978

India

After assuming power on the wave of euphoria which followed the ending of the State of Emergency, the Janata Government is experiencing a period of disillusionment as it becomes clear that it cannot resolve India's problems overnight. But increasing public awareness of those problems could be the vehicle for more rapid change in the future.

'rogress t a nail's ace

David Housego
Correspondent

ER THE massive rejection Irs. Gandhi in the March ral Election, demonstrating that a popular move- could still break the r of an imperial regime in i, this has been for many ns the most momentous since independence. itably the hopes aroused changes miraculously con- d from the air have n way to disillusionment the Janata Party seems to chieving so little. But the ctations were pitched unistically high.

n months is a short time which to judge any govern- t. Mr. Morarji Desai, the ne Minister, has been pre- pied for much of it in ing together the disparate le mates in his coalition— y of whom as ministers in State governments between 1967-71 would have showed themselves more than ready to change horses in midtrack. At least the Janata Party has not broken up as some foresaw in March, believing that it was impossible to accommodate within the same government both the pro-Hindu Jana Sangh Party and such socialist warriors as Mr. George Fernandes. Mr. Desai has also ensured that it has firmly hugged the middle ground which ultimately is the only vantage from which a federal nation as large and diverse as India can be ruled. The risk in that is that the Janata Government has seemed little different from Congress with the same familiar faces (Morarji's own for instance) and the same concern for patronage above policy. The Party can claim however to have delivered (largely) on the mandate for which it was elected, which was to restore civil liberties.

The lifting of the Emergency has uncorked India's itch to talk, argue and litigate. The depth of that passion will make it very difficult for any future government to attempt the concentration of power achieved by Mrs. Gandhi. She herself has still a sufficient mass popular appeal to harass the Government. But by a series of tactical blunders and by splitting Congress she has frittered away whatever chance she had of making a comeback. One of the saddest aspects of India to-day is the eclipse of the historic National Congress Party that carried India towards independence, and the self-inflicted humiliation of the Nehru family that was so closely associated with it.

Indian Prime Minister, Mr. Morarji Desai, greeting the British Premier, Mr. James Callaghan, on his visit to India earlier this month.

Mr. Desai, octogenarian, long aspirant to the premiership, has both surprised and disappointed by his performance so far. The surprise has been the nimbleness with which he has navigated in a cabinet in which there are so many discordant voices and in which he does not have the political clout to enforce his will. Unlike Nehru or Mrs. Gandhi he is only the first amongst equals, the chairman of a committee, rather than the presiding hand to which India has been accustomed. The visits of President Carter and Mr. Callaghan this year have strengthened his hand because it is he who plays host to such foreign visitors and India still likes to think that its Prime Minister is at the centre of the world stage.

The disappointment has been that in the absence of any firm measures of policy, he has fallen back on his homespun moralising of encouraging Indians not to drink, to take their morning cup of urine, and not neglect the blessings of ayurvedic medicine. Happily Mr. Desai knows, as do most Indians, that he would not be alive to-day if there had not been a more scientific tradition of medicine which has largely rid India of major epidemics.

The most serious failure of his administration is that for almost the first time since independence the government has an embarrassingly large surplus of resources but cannot find enough to spend them on. Savings are running higher than investment, the foreign exchange reserves are over $5bn., grain stocks are still at nearly record levels, industry has plenty of capacity, and India is said to have the third largest number of scientists and engineers in the world. With so much that needs to be done, India should have a resource gap not a problem of underspending.

Plenty of reasons are advanced to explain how the country has got itself into this extraordinary position of which the most plausible is that offered by a senior civil servant fresh to government service. "India's bureaucratic system is one of the greatest obstacles to India's development," he declares. "It is divinely computed to obstruct development." But the Prime Minister must also take his share of the blame.

With consumer demand stagnant, it is only through higher levels of public investment — particularly on power, irrigation and rural development — that India can get out of its present rut of low economic growth in which non-government investment is choked by lack of purchasing power. Mr. Desai, however, fiscal conservative that he is, fights shy of higher capital outlays because of his nervousness at more deficit financing. With inflation now less of a problem, and in the foreign exchange reserves, a tap for relieving shortages of supplies he could afford to strike out more boldly. Many of his colleagues are urging him to do so.

The other failure of his administration is that he has done little to lower the temperature of popular expectations. An exception has been the tough line he has taken towards the strike of a million public employees in Maharashtra. But with industry harbouring so much idle capacity and state governments twiddling their thumbs through lack of direction, labour unrest is not as severe a problem as is often made out.

Unrealistic

The charge against Mr. Desai is that he still allows the unrealistic target of achieving a 7 per cent. growth rate (twice the historic average) and of eliminating unemployment to be contemplated. Disillusionment feeds on such promises as it does on the absence of any lead from ministers in making sacrifices for which they are calling from others.

Against this must be set the positive gain that Mr. Desai has not allowed India to drift back into some neo-Gandhian haze as seemed possible when he came to power. India's nuclear capacity, whatever else may be said about it, is a symbol of an outward looking, technologically minded country, as is also the size and strength of its engineering capacity. The new emphasis on agriculture does not mean that India is shedding the Nehru heritage for some romantic idyll of homespun cloth and the parity of poverty. India's ties with the rest of the world through its huge expatriate community and its trade are too strong for it to turn its back on other nations.

In fact one of the most positive achievements of Mr. Desai's government has been its foreign policy. The reconciliation that he has sought with his neighbours — Bangladesh, Pakistan, and Nepal—is in sharp contrast with the bullying approach of Mrs. Gandhi which left India more isolated. It also holds out the promise of favourable economic returns to India through for instance, the opportunities for developing the Ganges Basin, whose waters have so long been in dispute.

As a result of the Emergency, the task of any future Indian government is going to be more difficult. The major casualty has been the family planning programme—perhaps the most important single priority in the country's development programme. It has virtually come to a halt because of the backlash that followed compulsory sterilisation. It is also headed by a minister, Mr. Raj Narain, who does not give the impression of fully believing in its importance.

The other casualty is that for the foreseeable future no Indian administration can make a virtue out of "strong government" or discipline—terms perfectly legitimate in the context of development. Before the Emergency there was a genuine debate on whether the Central Executive should be strengthened to protect the Harijans (untouchables), carry through land reform or to undermine the power of vested interests able to exploit their dominant position in the economy.

That argument was abused by Mrs. Gandhi for personal reasons, both to buttress her power and to protect herself from the judgment of the Allahabad High Court which condemned her in 1975 for election malpractices. She transformed the research and analysis wing (RAW)—set up as a foreign policy outfit—into an instrument of domestic intelligence, increased the power of the Prime Minister's Secretariat and weakened the ability of the Judiciary or the Civil Service to take an independent stand. Much of this has been undone by the Janata Government, though not all. (It is by no means clear how far Mr. Desai wants to go in removing the 42nd Amendment to the Constitution or abolishing the government's wide powers of detention.) But basically the Janata Government is having to work within the limitations of an open democracy. The difficulty of this is that the sheer magnitude of India (the state of Uttar Pradesh alone has 100m. people) is straining the capacity of the system to manage it. In opting for decentralisation and the resurrection of local panchayats (village councils) the Janata Party is taking the only option open to it. But the success of such local bodies in getting funds and taking action is bound to be patchy. Beyond this level of local initiatives, some in the party would like to see the states broken up into smaller and more manageable units. But this is, for the time being, politically unacceptable.

In the hope of preventing any repetition of the Emergency, the Shah Commission on the Abuse of Power was probably necessary, though Mr. Desai is said to have had doubts about its wisdom. Its immediate effect has been healthy: the debunking of politicians and civil servants, who in Delhi more than in Whitehall, have for too long been able to hide behind the cover of official secrecy. But it is now beginning to have the detrimental consequences of demoralising the Civil Service. Administration in many ministeries (and in the State Government as well) has been reduced to a snail's pace because officials are no longer prepared to take the risk of recommending a course of action to their ministers. The commission, as it moves closer to Mrs. Gandhi and her family, is also becoming the source of a growing bitterness in national life. Mrs. Gandhi's willingness and capacity to do mischief is a lot greater if she feels she has her back to the wall. There is thus a lot to be said for winding up the commission by the middle of the year. Justice Shah cannot rule for decency in public life or for mothers to stop loving their sons. The government is likely to have enough unrest on its hands without exacerbating Mrs. Gandhi's agitation.

The Janata's economic programme, vague though it is, is a step in the right direction.

Weak

Industry will remain continually weak without a stronger agricultural base behind it. But the emphasis on rural development will take years to show results. The danger for the Janata Party in this is that it could find itself straddled between, on the one hand, the disappointment of the rural areas at the slow pace of progress, and on the other, the hostility of the towns at the shift of resources away from them.

A weakened Janata Party caught between these pincers would provide the opportunity for fringe groups like the Communist Party (Marxist) or new regional based parties to make inroads into the power of the Centre. One of the better legacies of Mrs. Gandhi was to leave an India in which the regional and linquistic agitation of the late 1960s had largely subsided. In West Bengal, Mr. Jyoti Basu, the CPM leader and Chief Minister has been demanding much enhanced autonomy for the States, and in Tamil Nadu there are still echoes of the strident Tamil nationalism of the past. But nonetheless, the union still looks very much in good shape.

After a momentous year, the realisation that India will lumber forward much as before is something of an anti-climax. But Mr. Desai is not the man to make snails run.

There are two consolations. The historic rate of economic growth in India, reflecting the combination of steady advances in agriculture and industry, is 3.5 per cent., which is above the rate of growth of population. Like the bureaucracy, that has survived the worst of administrations, though it has also defeated the best.

Secondly there has been a growing political consciousness working its way down the scale of caste and class. Organised labour (the trades union movement) has made of itself a privileged social group, however badly Indian wage rates compare internationally. The Harijans and landless labourers, partly as a result of Mrs. Gandhi's efforts, have almost become more conscious of their rights and determined to grab them. Even if legislators and planners cannot redistribute wealth, there is a good chance that the Indian masses will take it upon themselves to do so.

The political scene

IANS ARE proud that they virtually the only democ- left in Asia and certainly most lively. They are not roud of their politicians.

rs. Gandhi, held in such aken awe a year ago, has iled the respect she won efeat by her apparent deter- tion since to destroy the and the country she once inated. Congress is far seriously split as a result er walk out in January it was in 1969 when she divided the party on far plausible grounds of rences of policy. She has d bring about the eclipse once historic institution.

the Government side, Mr. rji Desai, in his evident ment of being Prime ster, has proved a far more e manager of his discor- cabinet than had been een, if still no charismatic r. Other surprises have Mr. Atal Bihari Vajpayee, xponent of a policy of re- liation with India's neigh- not expected from a r of the pro-Hindu Jana and Mr. George Fernan- trades unionist and pop- demagogue who is now ng the confidence of indus- ts.

t the Janata coalition as a has given the impression ng more pre-occupied with lling out the spoils of office with developing as a res- ble party of Government. politics after the emer- has returned to much the pattern as before, a loscope of continually ng alliances whose shape dermined more by per- ties and patronage than sues of policy.

rts

Shah Commission, for all arts that it has revealed, not surprisingly been un- to get politicians or their tuents to change their

The hoped-for two party n has failed to emerge as is no clear cut dividing between Congress and the a Party. The only organi- s to present a definite gy and the muscle to it up are the Communist (Marxist) which is run- West Bengal under Mr. Basu with quiet effi- and the Rashtriyiya m Sangh (RSS), the mili- wing of the Jana Sangh banned under Mrs. hi, but now growing in th as an evangelical movement. Both would to gain, as would the ex- t regional parties, from any failure of nerve at the centre.

New Delhi: the view down Rajpath, showing the South and North blocks of the General Secretariat and the Rashtrapati Bhavan, designed by Sir Edwin Lutyens.

The Janata party however, is still very much in control, although the divisions within it are as strong as ever. Mr. Jagjivan Ram, Food Minister under Mrs. Gandhi but who left her to join the Janata coalition shortly before the election, is still bitter that he was not chosen as Prime Minister. As consolation prize he got the Ministry of Defence, but he carries little weight within the cabinet. His popular support among the Harijan (untouchable) community has been slipping, and he has fallen out with other former associates in the Congress who also joined the Janata party such as Mr. H. N. Bahaguna, the present Petroleum Minister.

The man who spiked Jagjivan Ram's ambitions, Mr Charan Singh, the powerful Home Minister, has himself pretensions to succeed Mr. Desai. The success of his Bharatiyal Lok Dal (BLD) small farmers party, carrying much of the north for the Janata, gives him a powerful political base. But he is also a lone runner in the cabinet. His influence has been reduced first by the bungling of Mrs. Gandhi's arrest and then by his failure to get more of his Gandhian Socialist beliefs incorporated in the party's economic philosophy. He would have liked to have seen a far more outspoken denunciation of the "evils" of big business and heavy industry, both of which he regards as unfortunate legacies of the Nehru era.

For Mr. Charan Singh, a moment of glory was in the State elections in the northern provinces last June, after which he teamed up with the Jana Sangh to divide between them the key posts of chief ministers in India's major provinces. The Jana Sangh was the group within the five party Janata coalition to have won the largest number of seats in the March general election, but since then, aware that its credentials are suspect in the south, which objects to its pro-Hindu outlook, it has remained in the background. It has also suffered from an internal split—which party in India has not?—that has left Mr. Vajpayee closer to the Janata leadership, while the more militant wing has come under Mr. Nanji Deshmuk.

Weak in numbers though stronger in influence have been the socialists—largely because Mr. Fernandes and Mr. Limaye, party Secretary General, are two of the party's most articulate spokesmen.

The attractions of power are what have held the coalition together. Drawing on the momentum generated by its success in March, particularly in the rural areas, it is hoping to do well in the State elections next month in Maharashtra, Karnataka, Andhra Pradesh and Assam. The party needs success in the south to establish its credentials as an all-India party. It also needs to establish a base within the trade unions, which are still Congress and Communist dominated. Nervousness on this score and its continuing lack of any grass roots organisation in the south lie behind its readiness to make accommodation with the Marxists in the State elections.

The divisions within the Janata Party have helped Mr. Desai to assert his authority. His strength in part has been that there is no acceptable "Dauphin." But the divisions also point to a bitter struggle over the succession and to the potential strains on party loyalty should the going get rough, with agitations in the cities at the Government's still meagre economic performance.

Defence

It is this type of situation that Mrs. Gandhi would hope to exploit. Her hope had been to carry the whole of Congress with her in transforming her defence against Government charges of corruption and the probings of the Shah Commission on the emergency into a major political battle. After the mishandling of her arrest last year, it seemed for a while that she would gain her way. With her popularity in the ascendant, she made a pilgrimage to the Ashram of Vinobha Bhave—one of Gandhi's followers, and then set out on a barn-storming tour through the south. This was her first tactical mistake as the inevitable violence that ensued brought a backlash against her. But more important she underestimated the resentment within Congress at the high-handedness of her son Sanjay during the emergency and her refusal to disown him or to show any but token signs of regret at the mistakes that had occurred. The party elders wanted a humbled Mrs. Gandhi, not the arrogant leader of the past.

In splitting the party when she did Mrs. Gandhi carried with her far fewer members than she would have done if she had made the move even a couple of months earlier. Prominent among those who actively joined her were men like Mr. Devraj Urs, the former Chief Minister of Karnataka, also under investigation for corruption, and who saw themselves hitched to the same bandwagon. Her power to discomfort the Janata Government nonetheless remains considerable. However unfavourable the election results, Mrs. Gandhi has been one of the few leaders since independence to have awoken in the Harijan (untouchable) community and the other outcasts of a Hindu society a political consciousness of their rights.

She has already begun to reach out for this popularity with denunciations of "atrocities" against the Harijans, rising prices and false arrests. But any hopes that her campaign could bring her back to power are probably wishful thinking. A mediocre Prime Minister, with few major achievements to her name after 11 years in power, she has become in opposition an embittered figure whose belligerence has come from a sense of wrongful persecution.

The Congress she has left behind — now the main-wing of the Party — is an organisation without vitality and which looks unable to rejuvenate itself. In Mr. Brahmananda Reddi and Mr. Y. B. Chavan (formerly Mrs. Gandhi's home and foreign ministers, respectively), it has leaders with strong home bases in Maharashtra and Andhra Pradesh but without firm political convictions or desire to play a major part on the national stage. Their main preoccupation now is to retain for the party its hold in the south, both as a bargaining counter and to have sufficient patronage at its disposal to prevent further defections.

The similarity of views between this Congress wing and the former congressmen now in the Janata Party, such as Jagjivan Ram, has given rise to much speculation of a realignment in government that would exclude parts of the Jana Sangh and Mr. Charan Singh's BLD. The arithmetic of seats in the National Assembly would seem to rule out such manoeuvrings. No step will in any case be made until after the State elections. Even then it is far more likely that there will be an accommodation between new Congress governments in the States and the Janata Government in Delhi than any major reshuffle in Delhi.

D.H.

CONTENTS

A tractor salesman uses his powers of persuasion on a group of Sikh farmers in the Punjab.

India's economy now has plenty of resources, but so far the Government has failed to make proper use of them. But it has started to tackle the country's structural problems by giving priority to rural development, thus creating more jobs and higher incomes.

The economy

AFTER THE high growth rates of the 1950s the Indian economy is still running at half speed. But instead of the constraints of the past decade, the government is now faced with more resources than it knows what to do with. Domestic savings are outpacing investment, the foreign exchange reserves and grain stocks are at record levels, and industry has plenty of space capacity. In other words the potential is there for moving into higher gear. It is a black mark against the Janata Government that it has not been quicker to seize it.

Revised figures are likely to show that there was only a 1 per cent. growth in real output in fiscal 1976-77—which almost exactly coincides with the last year of the emergency—or less than the annual 2 per cent. growth in population. For the current year the expectation is that output will expand by 4-6 per cent.

These swings are almost entirely due to variations in the harvest as agriculture still accounts for 42 per cent. of net national product. Over the last three year there has been an unusual run of good monsoons with grain production dramatically rising to 120m. tonnes in 1975-76, falling back to 110m. tonnes last year and expected once again to top 120m. tonnes this year.

Tenth

Fluctuations in industrial output do not make the same impact on the growth rate, for though India now prides itself on being the tenth major industrial power in the world, industry contributes less than a fifth of the national product. The 10 per cent. surge in output in 1976-77 after several years of stagnation is likely to be followed by a 4-5 per cent. rise this year. This change partly reflects the build up of steel and coal inventories last year made under government directive. But more important has been the combination of power shortages (in Bangalore the cut back has been 55 per cent.), slack demand and the increase in the number of strikes. Of these factors, labour troubles have been the least worrying because with many industries running at little more than half capacity, management can ride out a major stoppage.

In both the public and private sectors, new investment has been negligible with certain exceptions like cement or steel products where the easing of pricing controls has uncorked a backlog of projects now being hastened forward to plug acute shortages. There are some signs that industry is replacing plant. Loan sanctions by the Government development banks were up 25 per cent. in April-September and disbursements by 15 per cent. Equally the cutback in food imports with the suspension of grain purchases—the major item on the import bill—appears to have been made up by higher orders for capital equipment and raw materials.

BASIC STATISTICS

Area	1.26m. sq. miles
Population	610m.
GNP (1974)	Rs.681bn.
Trade (1976)	
Imports	Rs.45.6bn.
Exports	Rs.49.9bn.
Imports from U.K.	£207m.
Exports to U.K.	£355m.
Trade (1977 to end Aug.)	
Imports	Rs.32.1bn.
Exports	Rs.34.8bn.
Imports from U.K.	£179m.
Exports to U.K.	£254m.
Currency: Rupee.	£1=Rs.15.7

But this does not alter the overall picture of industry restricted in its markets, not for lack of people (there are 620m. of them) but because in the rural areas, where 80 per cent. of them live, there is not the purchasing power. Over the last 15 years real incomes are believed to have fallen for most villagers. With this decline, industry is caught in a process of self strangulation, in which demand for its products is only marginally responsive to good monsoons or changes in monetary or fiscal policy.

The approach of the Janata Party to this structural problem has been to put its priorities on rural development and labour intensive industries as a means to creating more jobs and higher incomes. Until it has spelt out how it will achieve these goals, the most that can be said is that it has put the helm in the right direction.

With little "new" land left, the much needed sustained growth in agricultural output can only come from more intensive use of seeds, fertilisers and irrigation. But even with a forceful government and an efficient extension service—commodities generally in short supply—it would take years to achieve significant results, let alone lift the economy to the 7 per cent. growth rate to which it has unwisely pinned its name. And even then the benefits will not be translated into a broad based increase in demand without an enforcement of land ceilings on which the Janata, like Congress before it, as a party of patronage and multi-coloured in its ideology, is understandably hazy.

Still more difficult to organise will be the small scale and cottage industry sector that the Government sees as the major source of new employment outside agriculture. Industry dislikes this because it impinges on its own territory, there is no clear indication of how much plant will be phased out, and companies are distrustful of the quality of components that they would be expected to buy from the small scale sector. In the face of this, small scale enterprises will need cocooning from the cannibalism of the public and private sector in the way that they have been themselves protected from foreign competition. This promises a further cats cradle of regulations in a country already stifled by them. The short cut to eliminating the "black" money that the Government rightly condemns would be to risk some people making profits by throwing the regulations overboard. Political gestures—like demonetising notes of Rs.1,000 and upwards as the Government did last week—has the speculators chuckling up their sleeves.

With consumer demand flat, the impetus for growth in the immediate future must come from higher levels of public investment. As a ratio of net national product, total investment within the economy has been stuck for some years at just above 14 per cent. Domestic savings are now running at over 15 per cent. with bank deposits still climbing sharply. On top of that grain stocks are rotting at 18m. tonnes and the foreign exchange reserves are likely to reach $5.4bn. by the end of the fiscal year.

Increased

Plan outlays—the best measure of development expenditure—were increased for this year by 27 per cent. to $11.7bn. But it looks as though there will be considerable underspending in terms of capital investment while recurrent expenditure is way beyond what the Government had intended. This is partly a legacy of the largesse doled out by Mrs. Gandhi to win support before the election and partly because the state governments have been running to Delhi to bail them out from the consequences of their own lax financial discipline.

Unwilling to take the political risk of raising taxes to raise revenues, the Prime Minister has been arguing instead for a trimming of the growth of plan expenditure though he appears to have accepted a compromise of an increase next year of 20 per cent. But the Reserve Bank of India and the World Bank have been pushing for the bolder approach of more deficit financing (if higher taxation is politically ruled out) so long as it can be put to productive investment.

The bottleneck here is not the shortage of projects. There are plenty of irrigation or road construction schemes on which work could be speeded up and there are plenty more in the pipeline.

It is the lack of political will and the determination of the bureaucracy, nurtured in the traditions of husbanding resources, not to look a gift horse in the mouth. The state governments are probably the worst offenders here, and worst in states like Uttar Pradesh and Bihar where opportunities such as harnessing the Ganges are greatest, but the infrastructure weakest. Typical of the failure to spend is that only a few states have yet put forward pro jects to make use of the extra grants the Government offerec last year for drinking water anc rural roads projects.

Inflation which was a con straint in the past is less of one now. On the basis of the whole sale index, prices were 4 pe cent. higher in November thai a year before. Shortages of ke consumer items—the mai cause of inflation in India—have been diminished both b imports and the freer transfe of food across state frontier. The growth in the money suppl is likely to be held at around l per cent. for the fiscal year a against 18 per cent. last year not fully reflected in parall price increases, because th velocity of circulation is less.

The private sector, which dependent for about two third of its orders on the Gover ment or public sector, takes i cue on investment from th level of government outlays. has responded only marginal to the tax and investme allowances made in rece budgets. It sees demand gro ing for agricultural equipmer pumps, cement and steel if tl Government carries through i agricultural programme. Bu also wants a relaxation of pr ing and licensing policy, low wages and less taxes. This reaching for the moon, but t private sector is much co forted that the Government h not turned out as anti-businc as it feared, and that in M George Fernandes it has as l dustry Minister, one of t ablest men in the Cabinet.

Surplus

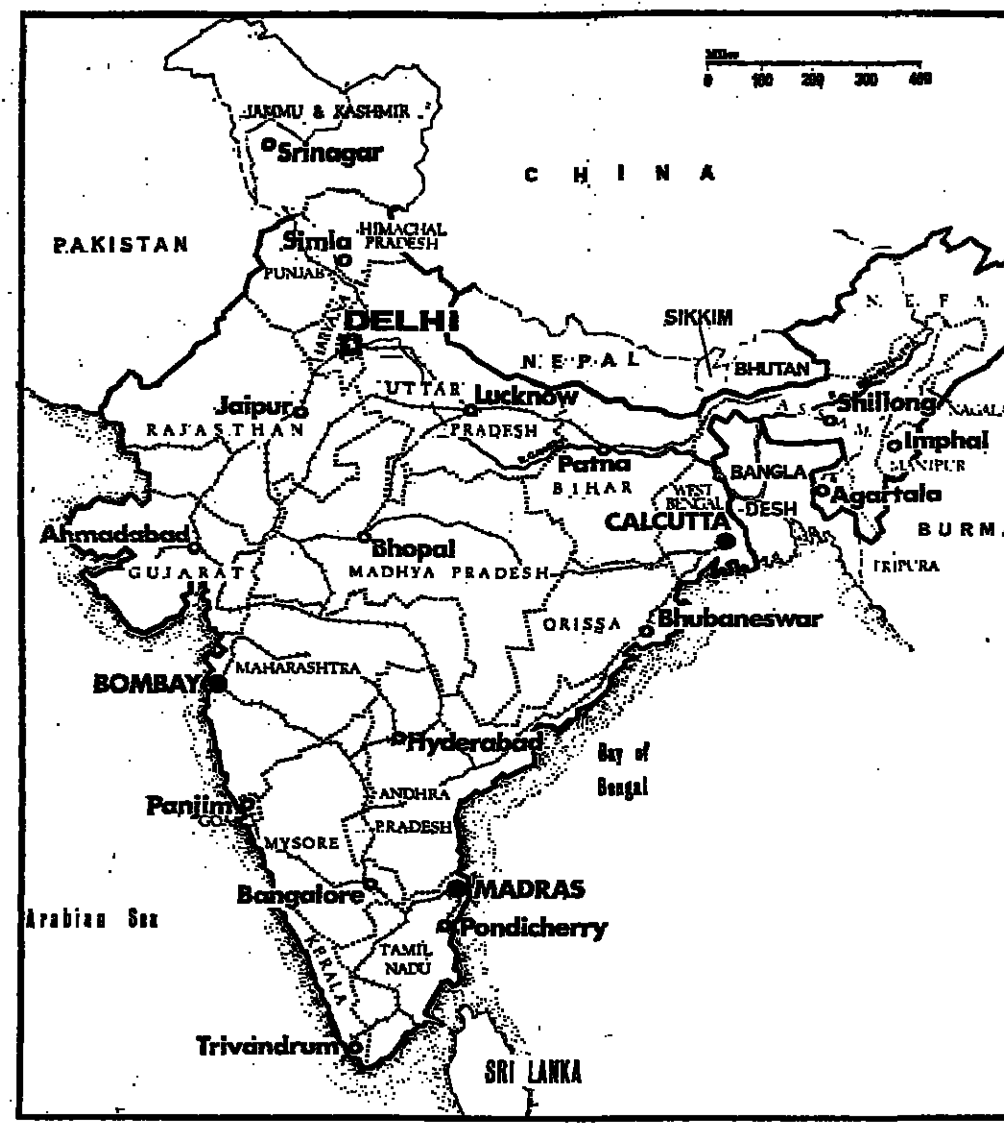
As for the balance of pa ments, the $81m. surplus trade account last year is e pected to be followed by a other small surplus this year major change from the $1.4 deficit of 1975-76. With rem tances from Indians abro coming in at the rate of ab $150m. a month and aid d bursements for the year about $2bn., the reserves a likely to rise a further 44 p cent. by March as against Ma last year to $5.4bn.

The view among the Gove ment's economists is that tl will flatten out at this plate (equivalent to 10 months' ports) or below. This is ba on expectations of higher ports as disbursements speeded up to develop Bomb High, to purchase more pov generators and transmiss equipment, and for defer Exports are also thought lik to rise less fast, with text and the engineering indus caught either by protection or the world recession. ? Government is also play safe in case of a bad monso or another rise in oil pri But expecting the worst may wishful thinking. Officials embarrassed by the size of foreign exchange reserves rightly they should be.

David House

The election of a shaky coalition Government which lacks a national base has led to considerable strains, particularly in the States where other parties are in control. Unless greater autonomy is conceded to the States the country's unity will be put in danger.

Centre-State relations



AT LEAST five political parties rule India's 22 States, and it is with some reservations that even the Janata and the now splintered Congress Parties can be described as national organisations. The Congress factions have just a toehold in the north and are in tatters in the south. The Janata still has to establish a base in any of the southern States, which it finds difficult to give representation to in the Central Cabinet because of its poor showing in the Lok Sabha elections in March. Of the three or four other parties in power in the States, only the Marxists can claim to function outside the States (West Bengal and now Tripura) which they rule. The National Conference is confined to Kashmir, the Akalis to Punjab and the Anna Dravida Munnentra Kazagham to Tamilnadu. The Congress parties could disintegrate into "regional parties" and it is possible that these will contest the coming elections in some of the six States in February.

It is easy, putting it so baldly, to see in this the possibility of forces emerging which would strain India's federal structure. An insurrection is developing in remote Mizoram, although it seems to have been quelled in Nagaland — both in what is commonly called the "sensitive" northeast region where Marxist-ruled Tripura is also located.

Emotion

Further back in history, there were secessionist moves in what is now known as Tamilnadu, where the ruling ADMK is a splinter of its parent DMK which renounced its demand for secession just about 15 years ago. This was based on linguistic differences, but it is not impossible to see other equally powerful, centrifugal forces which could arouse sufficient emotion to trigger similar movements. India's diversity is not confined to languages (of which 17 are recognised officially) but also religion, history, culture and ethnic differences and to these is now added politics. With the three-decade sway of the Congress now terminated, and so many single and separate political parties in power (as distinct from the shaky coalitions which ruled briefly in the late 1960s), there is a strong demand for redefinition of Centre-State relations.

The demand, basically, is for greater autonomy for the States with an unspoken but real threat that unless this is conceded, the country's unity is endangered. The Union is nowhere near cracking up, as many prophets of doom have been predicting for the last three decades, and there is no one, not even Sheikh Abdullah in Kashmir, seeking to break away. But the strains between a Central Government which lacks a national base, and is itself a shaky coalition, and other parties in power in the States are real. The latter's views cannot be ignored as they were in the past when the Centre used Constitutional provisions to quell dissent in the States, and a nationwide debate on this has already begun.

The demand for more powers for the States has been made firmly by Marxist Government of West Bengal, whose Chief Minister, Mr. Jyoti Basu, recently spent a week in Srinagar discussing State autonomy with the mercurial Sheikh Abdullah, while the ADMK Chief Minister of Tamilnadu, Mr. M. G. Ramachandran, has been making noises from the south. None of these can ever hope to come to, or even share, power in the Centre since it is only the Marxists, apart from the Janata and the Congress parties who wield substantial power outside the eastern region. This is one reason why Mr. Basu has taken the lead in seeking greater State autonomy; his Government has officially adopted a 2,500-word potentially explosive memorandum seeking a national debate on Centre-State relations.

Mr. Basu proclaims that he does not want a "weak Centre" and that the "concept of strong States is not necessarily in contradiction to that of a strong Centre" provided that their respective spheres of authority are clearly marked out." But this is just the veneer of respectability he has given to his demands. These include not only greater fiscal powers and a share of the Central revenues as well as the right to formulate the national economic plan but also denial of some key existing Central powers. Among these are the Centre's right to dismiss a State Government and to deploy Central police forces. He wants the preamble of the Constitution to be amended to include the word "federal" in the description of the Republic of India and the word "Union" replaced by "Federal" in the rest of the Constitution. According to him, only foreign affairs, defence, communications, currency, economic co-ordination and related matters should fall within the exclusive domain of the Central Government.

Having swept to power at the Centre, the Janata Party has so far adopted the stance that it is unaware of any real demand for greater State autonomy. Its leaders have remained silent on Mr. Basu's demands, which must steadily lead to a weakening of the Union if they are accepted. The Janata is, in truth, somewhat embarrassed by the Marxists since its own election manifesto committed the party to a programme of decentralisation of economic and political power. This rejected Mrs. Gandhi's amendments to the Constitution during her emergency rule on the grounds that they "vitiate the federal principle and upset the nice balance between the States and the Centre." Partly it was because the party genuinely rejected the enormous accretion of powers by Mrs. Gandhi for the Centre—this was probably the only basis for the unity of its constituent units. But it was also because, at that time, the Janata Party professed to be guided by Mahatma Gandhi's ideals; these say that a just, egalitarian and prosperous India can be built from the bottom upwards.

There are many who believe that the Constitution as it stood before it was amended by Mrs. Gandhi does not really need the drastic modifications sought by Mr. Basu. The blame, they say, lies not in the Constitution but those who distorted it while operating its provisions, particularly in respect of intervention by the Congress Central Government for dismissal of State Governments when the latter's functioning did not suit it. The late Dr. B. R. Ambedkar, who piloted the Constitution debate when it was being framed, once said: "The Constitution is workable, it is flexible and it is strong enough to hold the country together both in peacetime and in war. Indeed, if things go wrong under the new Constitution, the reason will not be that we have a bad Constitution. What we will have to say is that man is vile."

Attitude

Dr. Ambedkar's words are prophetic. When in 1952 the Congress failed to get a majority in Kerala, the first State to have a non-Congress Government, Mr. Nehru said: "My attitude as Prime Minister is that I shall treat it (a non-Congress Government) exactly on the same level as any other Government. My attitude as Congress President might not be the same." Dismissal of State Government on various pretexts has taken place frequently and each time under the provisions of the Constitution, usually after the Governor reported that it was impossible for the Constitutional machinery to function. It is common knowledge that such reports were made following phone calls from New Delhi or hints from the Congress party. What Mr. Nehru began was followed up by his daughter, both of whom treated Congress and non-Congress Chief Ministers they wanted dislodged in the same manner.

What must disturb non-Janata Chief Ministers is that the Janata Government, for all its protestations about decentralisation, has not acted very differently. The Central Government's vast powers vis-a-vis the States were demonstrated vividly when it dismissed the Congress State Governments in the northern belt where the Janata has taken nearly all the Parliamentary seats. This had some justification since the March parliamentary elections had shown that the Congress had been rejected; this was endorsed by the subsequent elections in these States in June. Yet it is common knowledge that but for the approaching election of the President, whose electoral college is formed by Parliament and the State legislatures, such hasty action would not have been taken. Indeed, the Janata Party's initial belief in greater State autonomy was a momentary result of the general revulsion for Mrs. Gandhi's strong rule. One of its main constituents, the Jana Sangh, was a firm believer in a unitary form of Government and even believed in replacing States with regional zones.

There is no final answer to the perennial Centre-States issue. Everyone acknowledges the need for a strong Centre both to keep the country together in the face of internal pulls and dissensions and to deal with external aggression. Yet the Centre has allowed a number of powerful and sometimes corrupt Chief Ministers to flourish. Even Mr. Nehru permitted many to continue in power despite the demonstrable violation of democratic norms by them, let alone the accumulation of personal fortunes. By turning a blind eye to these felonies, Mr. Nehru in effect acted as a weakened Central Government. It is on the cards that if decentralisation of the kind that Mr. Basu and others want is permitted, this type of politician will again emerge. And apart from personal despots, there are innumerable emotional variants of the language issue to keep the States warring with each other if the Centre were to shed its powers of intervention and correction.

The issue is basically that of power. In the past it used to be personal power. Now, because of the change in the political scene, it is a mixture of personal and political power with a bit of ideology thrown in to complicate matters. There will be irritants and conflicts, no matter what the constitutional safeguards, as long as the political complexions of the Governments at the Centre and the States are different. They have not reached flashpoint and need not if politicians avoid confrontation and try to find answers to meet the needs of the new multi-party democratic pattern.

K. K. Sharma

INDIA IV

The return to democracy has given a new dimension to India's foreign relations. The gains have been substantial, enabling India to regain its position as a leader of the Third World and a champion of the non-aligned movement.

Foreign policy

INDIA'S EXTERNAL Affairs Minister, Mr. Atal Behari Vajpayee, has proclaimed that the "inherited suspicions on the country's foreign policy have been eliminated," that a new dimension in external relations has been achieved in the ten months that the Janata Government has been in power.

It is not an unreasonable claim. Whatever the vacillations of the Government on the home front, foreign policy gains have been quick and substantial. The process was helped, as Indian ministers making their first visits abroad in their official capacity found, by the results of the last general election. After his first appearance at the U.N. General Assembly last year, Mr. Vajpayee was overwhelmed by the reception he was given. There was not a single hostile or unfriendly reference to India in the session—not even by China, Pakistan and Bangladesh which were adversaries not too long ago.

Mr. Vajpayee feels this is the result of restoration of liberty and democracy in India through a non-violent revolution last March. He found this increased the country's credibility and improved its capacity to play an effective role in world affairs. This is not—nor is the Government wanting this—a return to the stance that India's foreign policy has an unusual moral content: the lecturing to other nations, including the super powers, of the kind that the late Mr. Jawaharlal Nehru indulged in before he was pushed off his pedestal by the Indo-China war of 1962, has been permanently abandoned.

Mr. Desai with President Carter during his recent visit to India. The better relations between the two countries were cemented by the visit, in spite of a contretemps over the nuclear safeguards issue.

Unique

Yet the Government has found widespread recognition of India's unique position of being both a leader of the Third World as well as a founder of the non-aligned movement.

Just as India sent a military contingent to the Gongo in 1959, the selection by the U.N. Secretary-General of the Indian soldier diplomat, General Prem Chand, as his special representative for Zimbabwe is taken to mean a revival of India's former peace-keeping role. The country has been taking initiatives in southern Africa and South-East Asia that have not been publicised—as they would have been a decade ago—that show a new maturity resulting from experience and the new Government's desire to find a role that is commensurate with India's size, position and history.

Broadly, this is a search for what Mr. Morarji Desai described as "genuine non-alignment" the day he assumed office. At that time it was presumed that the pro-Moscow tilt Mrs. Gandhi had given to India's non-alignment would be corrected. But national interests soon brought realism to bear on such a swing, and there is no sign of any dilution in relations with Russia. If anything, because Moscow itself feared loss of its most important Asian ally, relations are closer. There are offers of more aid and more co-operation, especially after Mr. Desai's visit to Russia last autumn. It is another matter that the Government finds itself at a loss on how to make use of the offers.

The aid issue has, in fact, enabled India to be taken by others at its own assessment of its middle power role. India does not really need aid as urgently as before; it managed without the previous principal donor, the U.S., since 1971 without difficulty, and the new content that has been given to Indo-U.S. relations after President Carter's visit earlier this month is partly because there was no need to bring out the begging bowl. President Carter is unlikely to send the "cold and blunt" letter that he threatened on the nuclear safeguards issue, but India can derive considerable satisfaction from the fact that such a letter of record was all that the U.S. thought possible. In the past, the threat of withdrawal of aid was the weapon wielded. India's comfortable foreign exchange and food reserves position gives foreign policy the flexibility to stand up to pressures of this kind.

The warm welcome given by the world to India's return to democracy and the country's leaders eagerness to reciprocate and show that they are anxious to play a positive role in world affairs have helped the process. The country is in a pliant mood, willing and eager to accommodate others in its bid to consolidate the gains coming naturally after the March elections. This has been done at three different levels. First, in its relations with the super powers, India has tried to give meaning to Mr. Desai's "genuine non-alignment" by establishing relations with both on a basis of equality. Second, as a champion of the non-aligned movement and of the rights of the Third World, India has taken up the cause of the front-line southern African states and the Arabs on the political plane and tried to keep the north-south dialogue going on the economic front. Third, and for India this is the most important, a major effort is being made to mend fences with neighbours.

The main success so far has been with Bangladesh. President Zia recently visited India in a bid both to gain respectability and recognition for his regime and to cement relations. This would not have been possible had India not signed the agreement settling, at least for the short term, the contentious issue of the sharing of the Ganges waters. This has been done at the cost of much criticism from within, notably from West Bengal, whose interests are most affected by the concessions made by the Government, but it is a sign of the country's genuine anxiety to improve relations with sub-continental neighbours. Indo-Bangladesh relations are unlikely to reach the euphoric level of 1971, but they are on a more even keel than after Sheikh Mujibur Rahman's assassination in 1975.

Improved

Mr. Vajpayee is to visit Pakistan soon, the first Indian External Affairs Minister to do so for eleven years. Indo-Pakistan relations have improved slowly, partly because internal upheavals in Pakistan have prevented that country's leaders from paying attention to foreign affairs and also because traditional suspicions and hostilities are not easy to bury. Trade has been resumed on a modest scale, communications are normal and diplomatic relations are again at an ambassadorial level.

Yet so long as the Kashmir issue remains unsettled, at least to the satisfaction of both countries, normalisation cannot be achieved. Not unexpectedly, General Zia-ul Haque referred to this recently, the first time since he took over the government, pointing out that, while his country was trying to normalise relations with India, "real success" would be achieved only if the "Kashmir issue" were to be resolved in accordance with "U.N. resolutions." Kashmir, it will be recalled, was the final step in the "step-by-step" approach envisaged in the Simla Agreement of June, 1972, between Mrs. Indira Gandhi and Mr. Bhutto. All the other steps have been climbed, and it will need considerable statesmanship on the part of both countries to cross the final and most intractable hurdle. India has hinted that it wants the status quo formalised (although the official policy is to claim what is referred to as "Pakistan-occupied Kashmir,") but acceptance of this is not possible in the way that India and Bangladesh were able to get to grips with the Ganges waters issue.

China and India are also finding it difficult to end their strained relations, which first deteriorated in the early 1960s, nearly two decades ago. Mr. Desai said a couple of months ago that it is for China to take the initiative on the unsettled border issue and until then "normal relations" would not be possible. China made protesting noises when the Dalai Lama, a refugee in India since he fled Tibet two decades ago, met Mr. Desai. Both seem to be restating their positions, while the slow process of starting economic and other relations progresses. The New China News Agency recently noted India's contribution to the African people's cause and mentioned that this country made no food imports this year. It has been years since such positive and commendatory mention has been made of India inside China and, in another form of ping-pong diplomacy, this is taken as a sign that a thaw is in the offing.

Apart from such bilateral gains, recognition as being one of the main spokesmen of the Third World is Indian diplomacy's main success. India took part in the Paris conference and vigorously stood up for rights of the Third World. One of its senior and respected intellectuals, Mr. L. K. Jha, is a member of the Brandt Commission. As part of the "Group of 77," India has decided to resume the dialogue through UN forums, but it is its unique position of being both an industrialised and developing country that makes its acceptable to both sides. President Carter specifically mentioned this during his visit to New Delhi early this month, seeking India's help to prevent the dialogue from breaking down. Since this is the kind of role the new Government is keen to play, new intiatives are planned.

The only fly in the ointment in the rapid strides made in foreign relations is the nuclear issue and the non-proliferation treaty. This did not mean much until the nuclear bang in the Rajasthan Desert in May, 1974, when India gatecrashed into the exclusive club. Mr. Carter's and Mr. Callaghan's recent efforts to persuade India to take the lead, and hence set the pace for other Third World countries, failed because the present Government agrees with its predecessor that the NPT is discriminatory. Mr. Desai stands by this despite the threat to supplies of fuel for nuclear plants. He says that if the other nuclear powers agree to abandon tests and whittle down their arsenals of atomic weapons, India will fall in line. Mr. Desai has committed the country not to make any tests, peaceful or otherwise, and considers this as the next best to being an actual signatory to the NPT. In its present pliant mood, this should be taken at face value, since India is in no mood to flex its muscles.

K. K. Sharma

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Increased efforts to boost agriculture and rural development are the main themes of the Janata Party's new economic programme. Creating more jobs, boosting national output and redistribution of incomes are also priorities.

Economic policy . . .

E Janata Party had no eco-oic programme when it came power in March. It only has shadow of one now.

'he party issued its own state-nt of policy in November, but does not commit the Gov-ment. Mr. Charan Singh, powerful Home Minister, published his views on what Government should be doing a book called "India's eco-aic policy: the Gandhian eprint," but he has been uffed on a number of im-tant points. In December, George Fernandes, the aister for Industry, put ore parliament as an official ument a statement on indus-l policy.

)ther ministers or party offi-s, representing the cross tion of conservative ortho-y, agricultural lobbyists and lalists from which the Janata lrawn, have chimed in with ir views. The result is a set goals, often contradictory, t have been inadequately intified and are short on ail on how they will be ried through. Some trends, vever, are discernible:

roduction

The Janata Government's icy can be summarised as lows:

It puts more weight than agress did on agriculture and al development. It believes t the increase in unemploy-nt over the last 15 years and decline in real terms of the omes of most villagers have ulted in the lopsided situa-n of India having a large lustrial capacity but too little mand for its goods. Thus it s no real pick up in indus-al production and investment til there is an increase in rchasing power. The Party s proposed that 40 per cent. the investible funds should allocated to agriculture.

The Party wants to create more jobs, especially in the rural areas where 80 per cent. of the population live, and to redistribute income more evenly. It puts more emphasis on these goals than on generating a higher level of national output. Mr. Morarji Desai promised, when he took office, to remove unemployment (now estimated at 22m., which does not include the under-employed) within ten years.

● Janata also wants to achieve far higher levels of national output. The Party has set a growth target of 7 per cent. a year, which is twice the rate since independence.

● It believes that more jobs can be created outside agriculture by encouraging small-scale industry (defined as units with investment in machinery and equipment of up to $125,000), the so-called tiny sector (units with investment of up to $12,500 situated in small towns or villages) and cottage industry. Mr. Fernandes has said that the manufacture of over 500 products (named in his industrial statement) will be reserved for small-scale industries. The list will be reviewed in the light of their efficiency. No new industrial capacity is to be created in weaving, footwear and soap, sectors reserved for cottage industries.

● The Party is not as hostile to large-scale industry or the larger private industrial houses, as industrialists had originally feared. Mr. Fernandes, ex-trade unionist and popular agitator, has won the respect of the business community.

● Large-scale industry, Janata says, will still be required in steel, cement, oil refining, capital goods, fertilisers, petro-chemicals, machine tools and whatever else the Government deems in the national interest. Few congressmen would quarrel with this.

● The Party believes that a "certain measure of growth" is healthy for the 20 or so larger industrial houses (Birlas, Tatas, etc.) which are condemned as having concentrated in their hands a disproportionate amount of resources. Mr. Fernandes has limited their future expansion and borrowing powers but has left enough loopholes to give them some confidence about the future.

● Janata is suspicious of profits and high salaries for management. The party document says that profits should not be squandered on "indiscriminate distribution of dividends and bonuses and increasing the perks and amenities of the top people."

● It has relaxed price controls, however, in industries like cement. According to the Government's industrial statement the private sector will be allowed a return on its investment sufficient to provide a reasonable dividend and funds for modernisation and growth.

● It is suspicious of foreign investment and foreign technology. Mr. Fernandes is taking a tougher line on bringing established foreign firms within the official 40 per cent. equity ceiling for joint ventures. Where Indian technology is available, the private sector is banned from buying foreign knowhow. It is encouraged to enter into collaboration agreements or to buy foreign technology outright where India has inadequate capability. In practice, President Carter's visit to India demonstrated considerable interest by the Government in foreign technology. Also Mr. Bijnu Patnaik, the Steel Minister, has warmly welcomed foreign investment for the steel industry.

● The party is likely to be more interventionist towards industry than congress in its efforts to cocoon the small sector. This will mean more bureaucrats and more red tape.

● It also wants to cut down on red tape. As a demonstration of its seriousness on this it has set up two high-level committees to expedite import and export procedures and the vetting of applications for industrial licences.

● Janata is ambiguous in its policy over trade. The Government says that self-reliance must continue to be the paramount objective but that the foreign exchange position will allow selective removal of import quotas and quantitative restrictions. It promises to look favourably on industries seeking licences for increased capacity for export purposes, but says that in its overall industrial licensing policy a commitment to export will not carry the same weight as before.

● Thus both policy and implementation are fluid. Much is left unclear. Textile and footwear manufacturers are in the dark as to whether they can invest to place existing plant. The issue of land reform—central to any programme which has as its goals increasing agricultural output and redistributing income—has been fudged. What is achieved will be the best guide to where priorities really lie.

D.H.

As part of its drive to create new employment the Government is providing improved assistance for rural development projects.

. . . at work

FOR THREE months from June the monsoon drives across India's western coastal plains until partially checked by the Western Ghats, the mountain barrier that shields much of central India. Beyond, on the Deccan Plateau, where only a thin layer of productive soil covers the deep formations of rock, the monsoon loses momentum.

In this dry area of the "rain-shadow" is to be found one of the rare projects in India which has attempted and had some success in bringing jobs and additional income to the rural areas. Started long before the Janata Party made rural development the backbone of its economic philosophy, it nonetheless provides a yardstick for judging what might be achieved.

But initiative came from a disciple of Mahatma Gandhi's — Manibhai Desai — who at Gandhi's instigation began a nature cure ashram at Uruli Kanchan, about 19 miles from Poona. (Gandhi once sent his wife there for treatment.) Desai soon expanded the ashran into a local agricultural centre, showing villages the techniques of lift irrigation, encouraging them to diversify into other crops such as grapes, and establishing a sugar processing co-operative.

Ten years ago he founded the Bharatiya Agro-Industrial Foundation (BAIF) at Uruli Kanchan as a research station for cross breeding the local Zebu cow with Holsteins from Denmark and Jerseys from Britain. Supported by funds from industry and international agencies, this now has well-equipped laboratories and the largest semen bank in the country to help develop a strain of cow resistant to local disease but with a high milk yield.

The research station is but the focal point for a much more ambitious scheme to give landless labourers and small farmers across the country an opportunity of earning more by raising one or two cows for dairy purposes. Over the next five years the Foundation's aim is to develop 500 cattle breeding centres each covering 15 to 20 villages and rearing a million cross-bred cows in all. A start has been made with 100 centres now in operation in Maharashtra, Gujerat and Uttar Pradesh and these are to be extended into other states.

Such a project would not be so eventful outside India. But in India it represents a minor revolution in that though the country has the largest cow population in the world, Hindus have traditionally reared the cow for worship, as a source of manure or fuel, and for producing bullocks for ploughing. Beside the buffalo it has only had a marginal role in providing milk or dairy produce—and hence additional family income.

With the cross-bred cow yielding at least five times as much milk as the Zebu (a minimum of 2,000 litres per lactation and often double that) a family stands to make Rs1,000 net a year for each cow in milk. That is almost as much as a farmer could earn in a year from 2½ acres of non-irrigated land in Maharashtra. But is it a scheme which really helps the poor?

First impressions reinforce initial suspicions that, as so often happens in rural India, improvements favour those who already have wealth. Malegaon, about 70 miles east of Poona, is in a well irrigated sugar growing region and is the cattle breeding centre most accessible from the city. It was also one of the earliest centres to be established. The Foundation chose it as a starting point because local farmers had already organised themselves into a sugar producing co-operative with a large cane processing plant of their own. The co-operative was thus able to meet the Foundation's operating costs in setting up a local veterinary station (located beside the factory) providing artificial insemination and back-up facilities.

At the first house at which we stopped over 30 cross-bred cows were being looked after by hired labour earning only Rs.4 to Rs.6 a day. The owner was a director of the co-operative farming 120 acres of richly irrigated land with three brothers and their family—a holding almost certainly in violation of the statutory land ceiling.

"We need to bring in the local landowners," said the guide from the Foundation "because they form local opinion. Without their support the scheme would be thwarted."

The next two families presented a different picture. At a house five miles away, a maker of bullock carts had had his Zebu cross-bred four years ago. He owned no land and his business was in decline. The cow and two heifers he now possessed had become the mainstay for his family and potentially his largest source of income.

Further on, a man with only half an acre had two cows and three heifers. On his land—insufficient in itself to support his family—he was growing sorghum as fodder, chillies, sugar cane, mangoes and papaya. From the cows he claimed to be earning Rs.2,400 a year. His neighbours were envious, he said, but there was nothing they could do because they had neither a Zebu for cross breeding nor the money to buy one.

Both were instances of the scheme's success in supplementing employment and income of families close to the poverty line but who had the energy and determination to make use of the opportunities put their way. The project's limitation is that it cannot hope to reach the very poorest (the Harijan or untouchable community, for instance, which in Maharashtra accounts for about 12 per cent. of the population) or those who no longer have the energy to help themselves.

Government subsidies are available in certain cases to cover the Rs.500 of expenditure for artificial insemination and the enriched fodder needed in pregnancy. But it still costs a further Rs.2,000 to feed a calf until it heifers and produces its first milk. Most Harijans in any case do not possess a cow.

The first attempt by the Foundation to avaluate the social and economic impact of the scheme—still very much at the pilot stage in most areas—was completed in June last year. It covered eight centres in which 21,500 farmers were recorded as participating. Of these, 47 per cent. owned no land or less than five acres, and 25 per cent. between 5-10 acres.

The foundation is now attempting to widen the project's scope by extending into fodder cultivation and dairy marketing. At Uruli Kanchan, research is under way on growing kubabul and hedge lucerne on saline and rocky soils and on testing this fodder for nutritional value. The aim is to develop fodder which could be grown on wasteland by landless labourers.

Finance

Finance for the project has so far come largely from the Mafatlal group of companies — long involved in Maharashtra in philanthropic work and rural development—and international agencies such as the Danish International Development Agency. Both have been rightly impressed by the professionalism of BAIF's work. "Money is no problem," says Dr. D. S. Gorhe, the Foundation's chief executive.

The Government recently increased the attractions to industry of participating in rural development projects by making such expenditure under provisions announced in the last budget eligible for tax rebates. Other companies, such as Indian Explosives, Chemical and Fibres of India, Usha Martin Black (Wire Ropes) and Tata's have already a considerable record of involvement in such schemes.

In part, this is philanthropic or promotional, and in part an extension of existing interests in fertilisers, for instance, or farm equipment. But a significant number of industrialists also share the Janata Party's concern to increase rural purchasing power and employment. They would prefer to do it through agriculture rather than by curbing their own expansion in favour of small scale industrial units located in the countryside.

D.H.

With a high level of unemployment and industry regularly operating below capacity, the comparatively small Indian trades union movement needs a strong personality or body to weld the workforce into a cohesive whole.

Labour

In a demonstration organised by the Communist Party of India in November last year, more than 20,000 people marched on the Indian Parliament to protest about rising prices and unemployment.

MUSSOLINI MADE the trains run on time and Mrs. Gandhi's emergency brought a measure of industrial stability to India's strife-ridden factories, railways, banks and power houses. This ended abruptly with the ending of the Emergency and the first few months of Janata Government saw a violent release of pent up frustration, a spate of strikes "to show we have not lost the art," a union leader suggests wryly.

In the industrial complex of Bombay, it is estimated that around 30 per cent. of all factories are currently idle at any one time, due either to strikes or lock-outs. Earlier this month the state of Maharashtra was crippled by a government employees strike—an estimated 20,000 of the 80,000 striking secondary school teachers in Uttar Pradesh have been gaoled—many subsequently released—during the current dispute. Last October, two management officers were savagely beaten, castrated and had their eyes gouged out before being murdered at a factory in Kanpur. Reports of factory managers and supervisors being beaten or tied up are commonplace.

Officials in Delhi say the industrial situation is bad, but not as alarming as it sounds. While many industrialists deplore the lifting of curbs, blaming strike action for the closure of many small to medium workshops and textile mills, the officials point out that apart from the initial three to four month period after the emergency, the number of man-days lost is slightly less than in the pre-emergency period of 1974 at about 0.5 per cent. of time worked and that during the emergency the amount of time lost due to lockouts, many of them disguised as layoffs, more than doubled.

Ironically, the Emergency may have benefited the workers almost as much as the management in some ways. India's trade union movement is hopelessly fragmented and its leaders do not seem to have much idea of how to run a strike. Industrial action may have some use as a ritual or therapy but has not done much lately to improve pay or conditions. Demands are frequently trivial—often the product of inter-union rivalry rather than worker-management friction—and even when more serious issues are at stake, such as non-payment of bonuses by a profitable company, industrial action often fizzles out with no concession at all to the workers. Quite often the union changes leaders in mid-strike and demands are quietly dropped.

Recognition

But to consider labour in terms of unions is perhaps inappropriate in a country where unions represent only 20m. of the 200m. workers, where management need not recognise worker representatives unless it chooses, where a factory of 300 or so workers can include up to 20 unions and where collective bargaining is still the exception rather than the rule. India's unskilled and semi-skilled workforce includes some of the most ruthlessly exploited men and women in any industrialised or semi-industrialised country. They work long hours for minimal wages which can be and frequently are withheld at the management's convenience—non-payment of wages is not a criminal offence, though light fines are occasionally imposed. Unemployment and under-employment are so widespread as to preclude accurate estimates and unemployment relief, other than through the governments' regional guaranteed work programmes which alleviate but do not solve the problem, will not be feasible for many years to come.

Many disputes currently raging in factories and workshops still relate to the Emergency — non-reinstatement of those dismissed, failure to compensate those victimised, and above all, non-payment of bonuses. Until 1974, payment of a minimum bonus equal to one month's salary was compulsory but in 1975 this was cut to four per cent. from 8⅓ and by 1975 no bonus at all was required if the company failed to produce a sufficient "allocable surplus." The allocable surplus was calculated according to a highly complex formula in the course of whose labyrinthine byways any accountant worth his salt could usually dispose of the necessary and emerge empty-handed. Few bonuses were paid during the Emergency.

The Government was no better than the private sector. Take for example a major public corporation like Hindustan Machine Tools, with factories in six States, which in 1975-76 made a net profit after tax of Rs.58.1m. (about £4m.), but paid a bonus only to workers at its Bangalore Watch Factories (a minor offshoot) and a partial bonus to some of its machine tool workers in Bangalore. "In view of the excellent performance of the company ths might seem rather odd," the HMT chairman commented at the time.

"My colleagues on the Board and I can quite appreciate the sense of disappointment which would prevail among employees on this issue. I suppose we all have to make some sacrifice in the larger interest of our country." Earlier this month the HMT chairman added: "I personally felt a full bonus for all workers would have been justified; but we could not get the necessary Government permission."

The Janata Government has reinstated the compulsory 8⅓ per cent. minimum bonus, to be paid as a "deferred wage" but whether this can be satisfactorily enforced and whether it is practicable among companies genuinely running at a loss, remains to be seen.

The problem of low wages is likely to continue for years while unemployment remains high and much of industry continues to operate below capacity. Minimum wages have been fixed in all states but are often well below the recognised poverty line, and are not always honoured. The national poverty line quoted by Labour Department officials is based on a 1961 study, which adjusted to current prices, sets a minimum per capita income of Rs.60 (£4)—or Rs.300 per "average" family. Between 40 and 50 per cent. of the population gets less than this. At the bottom of the scale, the minimum daily wage for an unskilled agricultural labourer is as low as Rs.3 a day in some states: the highest daily minimum for a "highly skilled" labourer is Rs.13. But even this is not necessarily what the workers gets, even though he may sign for it. Reports of workers paying contractors commission of up to 80 per cent. are common though hard to substantiate. Government officials, while giving no figures, say the practice is not uncommon but hard to eradicate while jobs remain scarce and the workforce remains so disorganised.

Within the organised sector, most unions are affiliated to one of the nine or so big central labour organisations—such as the Indian National Trade Union Congress, the All India Trade Uion Congress, the Centre of Indian Trade Unions, the United Trades Union Congress, the National Front of Indian Trade Unions—which are in turn linked to one of the many regional or national political parties. However, loyalties are fluid at all levels—shifting allegiances among the national politicians open the way for multiple splits and realignments, and the political events of the past 12 months appear to have accelerated the process of fragmentation.

The government is currently preparing what is hoped will be a major overhaul of existing labour legislation, in particular the Industrial Disputes Act of 1947, in the hope of pushing the unions towards greater unity. In July last year it set up a 30 member committee, including representatives of state and central government, industry and unions, to draw up guidelines for a comprehensive law on industrial relations. Labour Ministry sources say the legislation being drafted follows fairly closely the Committee's report, and should be ready in time for introductior in Parliament at the start of the February session, and for implementation by mid-year.

Optimistic

This may be a little optimistic. The report details how the Committee members failed to agree on almost every specific point, and recommends little other than broad principles. Members agreed unanimously that there should be some procedure for identifying a negotiating agent for workers in collective bargaining—one that employers would have to recognise. But the proposition that support for this agent should come from the largest number of workmen and be as broadly based as possible received on "a large measure of agreement" proposals to bind workers to any settlement concluded by their agent (to be elected by secret ballot) and endorsed by all workers, was "favoured by a large section of workers representatives" but presumably not by the majority.

Employers' representatives while welcoming the proposal for a single bargaining agent categorically rejected suggestions that workers should endorse agreements reached by their agent.

Similar differences are evident regarding proposals on dispute procedure, on an industrial relations commission, and on trade union registration.

Many unionists, industrialists and government officials agree that the union movement's weakness is largely due to lack of leadership. Unions and union factions are centred on personalities rather than ideology and few of these personalities have the strength to rally support beyond their own workshop. Until a stronger leader emerges, there will be little effective pressure on government to produce the sweeping changes so obviously required.

Margaret van Hatten

هكذا من الأجل

India's trade performance over the past two years has been remarkable, although officials still fear that one bad crop could wipe out the current surplus. But exporters are still unhappy about the barriers the Government puts in their way, making it difficult to plan for the long term.

Pattern of trade

NDIA HAS lived with trade eficits for so long since independence that the government still starry-eyed that for the second year running the country is likely to chalk up a small urplus on the visible account. he surprise is all the greater that it was only three years go that imports nearly doubled value as a result of the increase in oil prices leaving a hen unheard of deficit of 1.1bn. or the equivalent to almost a third of export earnings. he reaction of officials now to his turnabout is to fear that another Armageddon could strike he country—bad monsoons? nother OPEC price rise?—and preach caution in dipping in the still swelling $5bn. of rves.

Behind the change lie two ain factors. Imports have remained fairly stagnant in value rms for the last two years at annual rate of just under bn. and look like remaining at way during the current 977-78 fiscal year. This reflects part the general sluggishness the economy as measured purchases of machinery and w materials abroad, and in art India's capacity to manucture itself what it needs.

Relaxation of restrictions on nports of equipment and pital goods introduced since e last budget does seem to be aving some effect. For though the April-September period Indian trade statistics are otoriously slow to appear—the verall import level is the same s last year, increased purhases of capital goods and raw aterials would largely seem to ave made up for the suspenon of government grain purhases from abroad which acounted for 25 per cent. of total nports in the same period last ear. The government is looking to a further expansion of nports next year with increased ublic expenditure, a pick up in the economy and further import liberalisation.

A committee under Dr. P. C. Alexander, Secretary of Commerce, is due to report shortly on how to cut back on the red tape which makes trade with India so harassing. But both public and private sector industries can be expected to put up a tough fight against supplies which make inroads into their share of the domestic market—power plant makers have been lobbying strongly against the import of generating equipment. There is also a merchant class that has thrived on shortages of raw materials and has no wish for import liberalisation.

Shopping

The areas in which India is shopping around for foreign capital goods—accounting for about 20 per cent. of imports in 1976-77—include equipment for the oil and gas industry to develop production from Bombay High, power generators, instrumentation and control equipment, military hardware and civilian aircraft. In the private sector, the pace of replacement of existing plant depends in part on whether the Government will permit investment in such industries as footwear and textiles. Both are export sectors but the Government is limiting expansion so as to encourage small-scale enterprise.

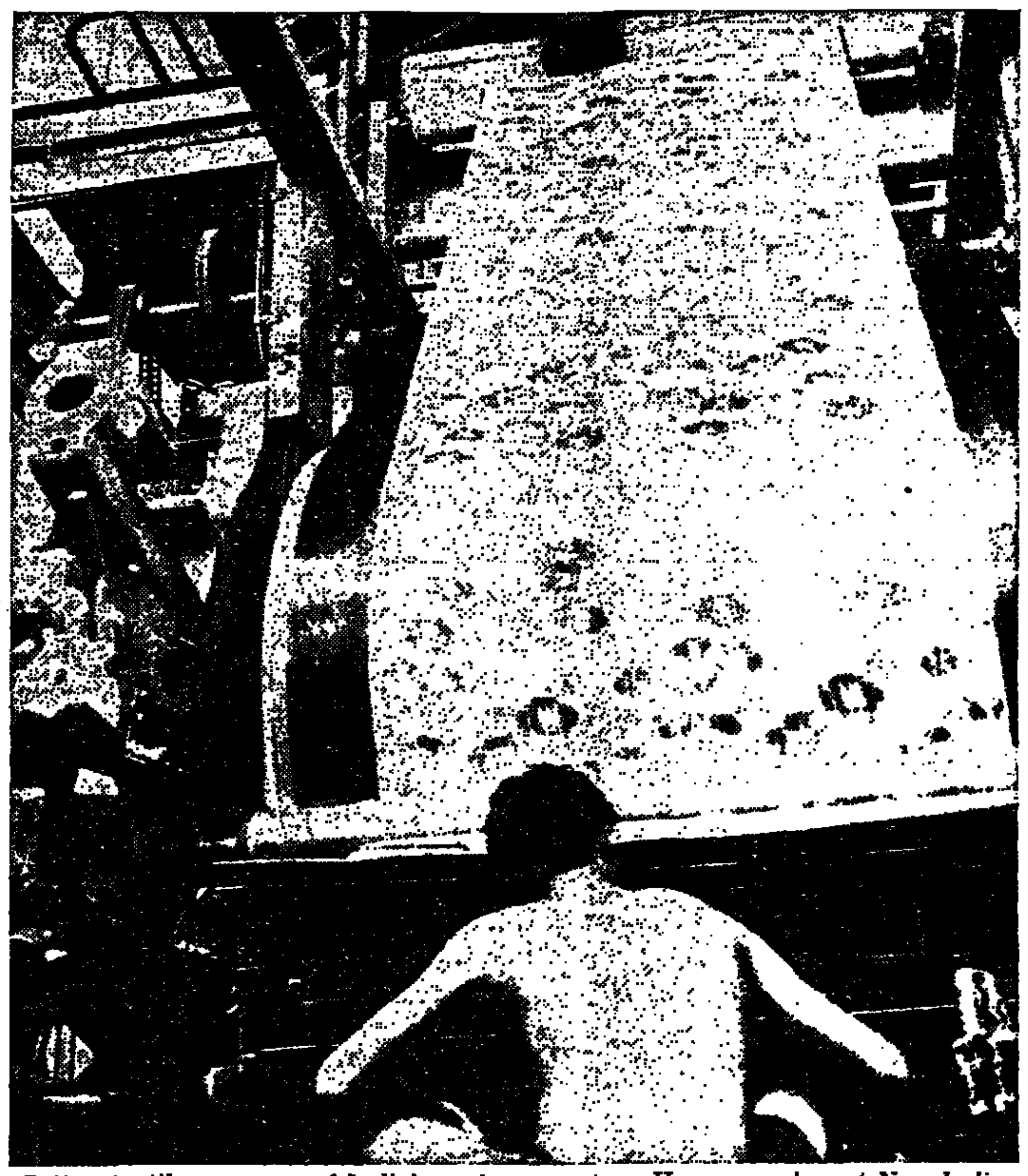
Britain's share of this market has been static at best. Exports were up 41 per cent. to £229m. in the first seven months of 1977, compared with the same period in 1976, but this was largely due to unexpectedly large shipments of industrial diamonds. Indian industrialists say that the Germans, the French and the Americans are quicker to snap up big orders arising from multilaterally funded aid projects or to enter into technical collaboration agreements.

MAIN ITEMS OF FOREIGN TRADE
(Rs. m.)

Exports (domestic)	1974-75	1975-76
Jute manufactures	2,968	2,483
Tea	2,281	2,368
Cotton fabrics	1,589	1,587
Iron ore	1,604	2,138
Oil cakes	960	861
Leather and leather manufactures (excluding footwear)	1,450	2,013
Cashew kernels	1,182	961
Tobacco	822	984
Engineering goods	3,567	4,087
Sugar	3,390	4,723
Iron and steel	211	682
Chemicals and allied products	929	845
Fish and fish preparations	662	1,266
Cotton apparel	969	1,449
Handicrafts	1,866	2,241
Total (including others)	33,288	39,416

Imports	1974-75	1975-76
Cereals and cereal preparations	7,638	13,383
Raw cotton	274	282
Petroleum and products	11,569	12,257
Chemicals	8,274	7,851
of which fertilisers	5,889	5,563
Iron and steel	4,237	3,056
Non-ferrous metals	1,787	978
Machinery other than electric	4,035	5,645
Electric machinery	1,610	1,872
Transport equipment	1,312	1,301
Total (including others)	45,188	51,578

Source: Economic Survey 1976-77.



Cotton textiles are one of India's major exports.. Here a worker at New India Cloth Mills checks a printing loom.

The other factor behind the improved trade balance is the rise in exports which has been marking up an average increase of 7 per cent. a year in volume for the past seven years against an historic rate of 4 per cent. The 27 per cent. increase in value to $5.9bn. is expected to be followed this year by a more modest 11 per cent. The slowdown in world economies, fewer orders from the Gulf States which have too many projects on their plate, power cuts and strikes that have disrupted production, Government restrictions on the export of cement and sugar which are in short supply domestically—have all played a part in diminishing the rate of growth.

In hoping to sustain this level, the Government is counting on the lengthening list of items in its export basket which cushion its foreign exchange earnings against sharp swings in any one product. Particularly striking has been the expansion of sales of manufactured goods and capital equipment — 56 per cent. of total exports last year. Textiles (now slapped down by the protectionist restrictions of the new multifibre agreement) have so far dominated sales, but engineering goods accounted for 60 per cent. of the growth of exports last year.

This rapid build-up should mark the emergence of India as one of the new super competitive industrial States, pushing hard on the doors of world markets, but there is no sign of this as yet. Technical skills, quality of product (in cases where firms bother) and price are not the problem. In the major industrialised markets and the Middle East the best Indian engineering companies have shown that they can compete on this score.

Where they fall down is in the absence of the back-up of forceful marketing, promptness of delivery, support from the Government, the financial institutions, the insurance and shipping companies — through the combination of which the Koreans mount their drive to penetrate a market. Officials and industrialists willingly concede that this is the great weakness of Indian exporting.

Fatalistic

They equally take a fatalistic attitude towards it, not helped by arguments advanced by Janata leaders that exporting is a liability to the economy because of the cost of government subsidies.

"We are very, very backward compared with the aggressive exporting nations," said a senior official concerned with trade, "but we don't believe in export led growth." The answer to that is that India cannot afford to throw up any opportunity of growth.

The major public sector companies (that is, Bharat Heavy Electricals, Hindustan Machine Tools) and about 10-15 of the larger private houses (that is, Tatas, Birlas, Kirloskars) have the muscle to mount a sustained export campaign on their own data. The small companies are dependent on the periodic sallies of trade delegations (probably paid for by the European Commission if they are to the EEC) and participation in trade fairs. But almost all are guilty of trying to export on a shoe-string budget and suffer loss of sales for it.

Because of the protection they get, Indian companies look to the domestic market to reap their profits. Too often they turn to exporting for one or more of the following reasons: surplus capacity (the iron and steel industry): slack domestic sales but persistent overseas buyers (sports goods); cash incentives offered by the Government: to gain preferential treatment in entitlement to imports (now less of a consideration). The more enterprising engineering companies have been nosing into the European and American markets to establish the credibility of their brand name with a view to sales in the Middle East, Africa and South East Asia: and to gain technical know-how through collaboration agreements. The exports over which the engineering industry has most reason to crow are the growing number of turnkey projects, contracting deals and consultancy agreements in the Middle East.

For its part, the Government has done as much to impede exporters as to help them. It supports exports when domestic demand is slack but forbids them if shortages appear, thus preventing any long-term planning. The private sector is up against limitations on the size of companies and their production capacity which are an obstacle to their overseas expansion. Establishing overseas offices or investing abroad can run into exchange control difficulties. These are hurdles unlikely to be cleared by reducing the bureaucratic procedures that the Alexander Committee is likely to recommend.

D.H.

India's "green revolution" has so far failed to do much towards diversifying the economy or relieving the problem of unemployment. Because the manufacturing sector has not grown fast enough, the rural sector will still have to absorb many of the surplus population.

Agriculture

THE JANATA Party began its term of office with a great deal of talk, roundly condemning the "wrong turn" towards large-scale industry taken by Jawaharlal Nehru. India, as Gandhi recognised, is an agricultural nation, they said. Heavy industry is inappropriate, cottage industry is more "Indian." From now on, they said, agricultural development will get priority.

In the intervening ten months there has been a great deal more of this sort of talk but nothing to suggest that agricultural policy under Janata will be significantly different from what it was under Congress, or that the benefits of development will be more evenly distributed. And although the Government's general ideas have been widely welcomed by Indians and international aid agencies alike, in the absence of any specific proposals no one seems quite sure what they actually mean.

The broad strategy of the past 30 years, emphasising higher output of foodgrains through higher input—of fertilisers, high-yielding seed varietes, power, irrigation, credit and education—seems likely to continue. The Government will, probably boost the level of input, particularly with regard to irrigation, though the spectacular successes of the "Green Revolution" of the early 1960s are unlikely to be repeated unless more is done about the less developed regions.

But the Government's fundamental aim—to increase domestic demand for manufactures by boosting the purchasing power of the predominantly rural population—appears likely to be frustrated for a very long time by two major obstacles: hostility, particularly since the Emergency, to family planning, and the need to absorb a large number of unemployed or under-employed. Both of these factors will ensure a rise in rural population density sufficient to offset most of the benefits of higher production.

The Government's credibility on such issues as acceleration of land reform (to break down and redistribute larger holdings) and improvement the lot of the landless agricultural labourer has yet to be tested. The practicability of its 7 per cent. annual growth target for the economy, and of its plan to generate employment in cottage industry has yet to be established.

However, the clouds of neo-Gandhian philosophy emanating from Delhi have not obscured the sound political reasoning behind the policy statements, clearly aimed at the eight out of every 10 Indian voters who live outside the cities—or the fact that the benefits of most current development programmes, admirable though they may be, increase with the size of the farmer's assets and cease before reaching the landless, often migratory and often unemployed worker. But the bigger farmers tend to shape rural opinion, both in politics an din acceptance of development programmes, so if many of these programmes barely touch many of those who most need them, it is unlikely to affect the ballot box.

Support

Hence the price support for agricultural products which most helps those with the most to sell, and cow-breeding projects which do little for those who cannot afford to buy or feed cows. Intensification of grain and sugar cane production should at least boost demand for labour, but may not materially alter the lot of the labourer until there is some effective guarantee that he will be paid at least the statutory minimum wage (as low as Rs.3 or 18p a day in some States). If higher production is to raise rural purchasing power on a large scale, a more even distribution of the increase in wealth will be essential.

Raising production will, as is recognised in Delhi, require not only a higher level of investment, public and private, but also a more effective use of the funds available. Massive public expenditure in recent years on irrigation, the most important single factor in rural development, has remained tied up in uncompleted projects for long periods simply because too many were begun simultaneously. And the benefits of such projects, once completed, have all too often remained unrealised because farmers have not yet built their own irrigation channels or installed the pumps needed to distribute the water to which public projects have merely provided access. The area of land with unused access to irrigation facilities is expected to reach 2.5m. hectares by 1980.

To stimulate private investment steps have been taken to increase credit available to farmers, and to guarantee a return through the Government's grain procurement programme, which acts as a price support in times of surplus. The first of these has been relatively successful, albeit more so among the medium to big landowners; results of the second have been mixed.

In the wheat-producing region of Punjab, where much of the Government's purchasing has taken place in the past decade, fertiliser consumption and private expenditure on irrigation have risen appreciably. This has led in turn to a rise in wheat output to 6.2m. tonnes last year from 1.9m. in 1966. The number of workers employed (many of them admittedly seasonal) has trippled in that time and wages have risen similarly (during the harvesting season at least). But the Punjab is the most successfully developed agricultural region in India—in provinces where poor soil structure or lack of water limit potential returns on investment, such results cannot be expected.

The procurement system, which costs the Government an estimated £300m. a year, helps producers only in times of surplus and most consumers to only a small extent if at all. It is currently responsible for the accumulation of an 18m. tonnes stockpile of foodgrains, possibly a little inappropriate in a country where millions go hungry. The Government is not unaware of the incongruity and does what it can for the consumer through its network of fair price shops where rice, wheat, sugar and certain other basic food products are sold at prices slightly above the procurement price and usually, but not always, a little below the market price.

But it can be argued that the Government, in fixing a procurement price is, in effect, defining a "surplus" by limiting the consumption of the poorest. Secondly, more of its shops are situated in urban and semi-urban areas than in the 100,000 rural villages where almost 85 per cent. of the population lives. Thus price support, which in Europe usually supports a minority of farmers amid a majority of urban consumers, becomes in India a transfer of funds from landless to landed.

Lifting

In non-surplus years, which at present are still in the majority, market prices rise and Government procurement drops—and with it the impact on consumers. The Janata Party, in lifting restrictions on the free movement of rice, has permitted an outflow from lower price surplus areas to the higher price, mostly urban, shortage areas. Though this has reduced hoarding and gone some way towards levelling prices (it will do so more effectively when transport and distribution systems improve), it has also led to periodic shortages in rural areas and has pre-empted much of the Government procurement in what used to be chronic surplus areas.

Agricultural development in India is an area with few easy options. Planners constantly face dilemmas where it is hard to see which is the lesser of two evils. Mistakes are inevitable and because of the large numbers of people affected and the difficulty of reversing the cumbersome bureaucratic machinery, some mistakes inevitably leave large and slow-healing scars.

The need for further agricultural development in India is incontrovertible but at this stage three questions are perhaps pertinent. Can long-term investment in agriculture be boosted if industrial growth is allowed to slow? Will easing unemployment by raising the ratio of labour to land under cultivation prove a blind alley, cutting off access to productivity increases, possibly under an alternative strategy? Finally, will growth in agriculture spread to other sectors?

On this last question, a recent study by Professor G. S. Bhalla of the Jawaharlal Nehru University's Centre of Regional Development Studies, comes to a disturbing conclusion. Having analysed the impact of the "Green Revolution" on the Punjab, Professor Bhalla comments "The green revolution has failed to bring about any diversification of the economy. In fact the reverse seems to be happening. A natural process of growth should imply that increases in agricultural income are followed up by rapid increases in manufacturing and other sectors. But the Green Revolution has remained an island unto itself. It has failed to spread to other sectors of the economy. Consequently the reserve army of under-employed and unemployed, both in agriculture and in the secondary and tertiary sectors, have tended to shift to agriculture, initiating a reverse process of development.

"Until and unless a major attempt is made to diversify the economy through a massive programme of investment for industrialisation," he concludes "the gains of the Green Revolution will be completely dissipated."

Margaret van Hattem

Ploughing the hard way.

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INDIA IX

Indian industry is plagued with problems. The Government blames business for lack of investment while industrialists point to labour unrest, power shortages and Government restraints as the cause of the trouble.

Industrial development

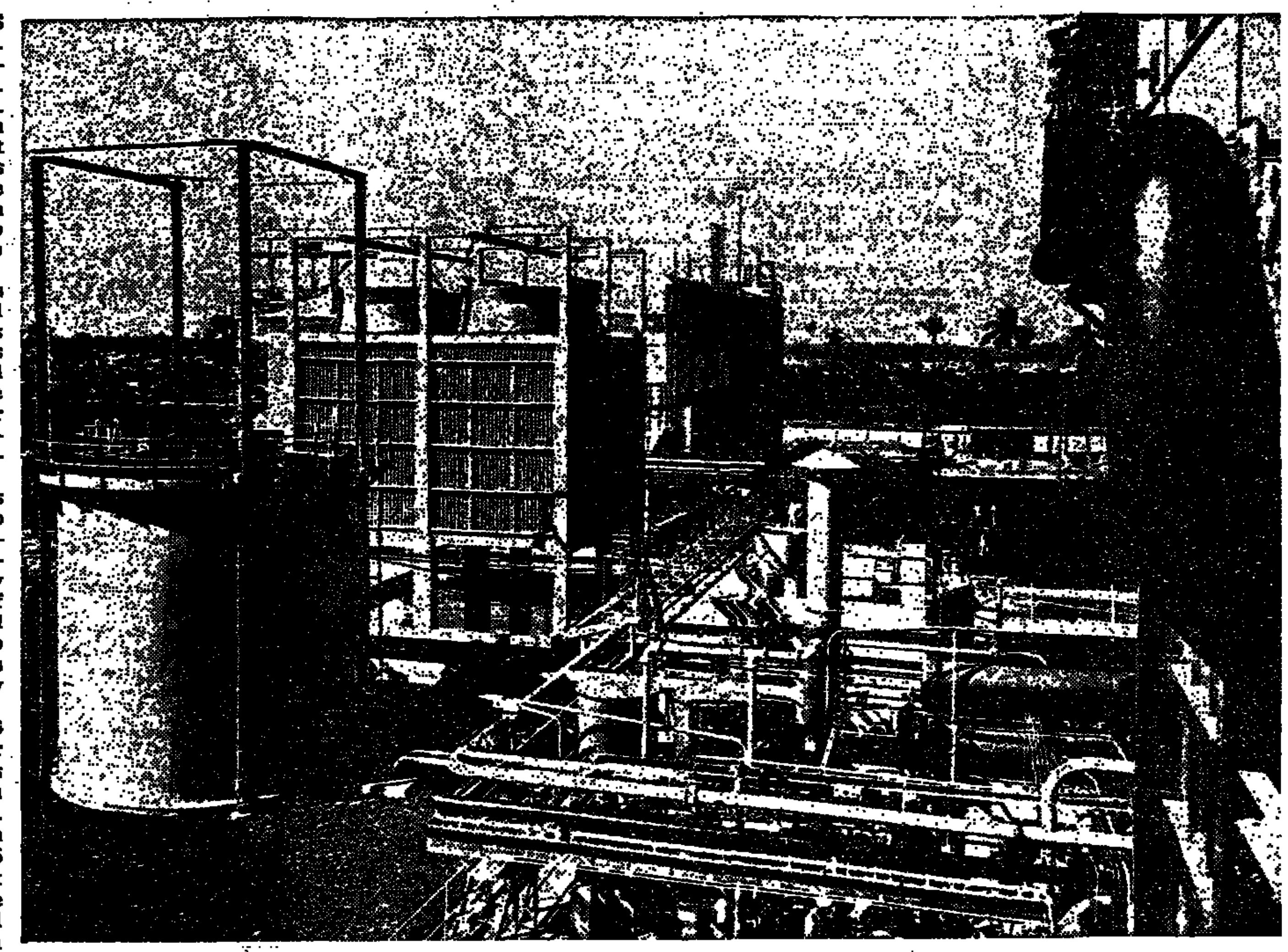
INDIA'S MANUFACTURES were worth roughly Rs.170bn. (about £12bn.) in 1977, contributing just over 20 per cent. of the Gross National Product. As President Carter noted with some surprise during his visit to New Delhi earlier this month, this made India the world's tenth industrial nation and a considerable force to reckon with as a competitor to the developed countries.

Yet Indian industry is plagued with problems, and despite the impressive progress of the past three decades growth has been erratic and continues to be uncertain. There is considerable controversy over the reasons for the near-stagnation in investment and production.

The Government blames entrepreneurs for failing to make investments or take advantage of fiscal and other incentives. Industrialists, wary of policy changes at a time of considerable labour unrest and power shortages, point to demand and other constraints that have operated relentlessly for the past few years.

Industrial production in 1976 rose by over 10 per cent. over the previous year, but this is deceptive since the comparison is with a particularly bad year. Indications are that the rise in 1977 will not be more than 5 per cent. and may even work out at less. This is because the factors in operation from April to September—when the rise in production was just 4 per cent. —remain, and the sluggishness both in investment and production continues.

Yet before any analysis is made of the problems of Indian industry, this must be qualified by the fact that no realistic indicator is available. A recent study by the Central Statistical Organisation shows that as much as 75 per cent. of industrial investment and production comes from the small-scale business sector (where investment is less an Rs1m. a unit). But this surprisingly large share contributed by the sector that the present Government wants to promote is not subject to proper analysis since its contribution has still to figure in official indices.



India's first polythene plant at Rishra near Calcutta was built by the Alkali and Chemical Corporation of India. It produces Alkathene, the ICI version of polythene.

Census

A census of small industry has been completed only recently and is not reflected in official figures. It faces a number of problems, including those common to its larger counterparts, but its contribution to production must be substantial.

Briefly, industry faces crippling power shortages and labour unrest. The first is countrywide and there is no immediate prospect of impovement. It has led to unforeseen cuts in production and forced a large number of industries to work well below capacity even though they had orders to fill. Labour unrest is not so widespread but has also severely affected production in many areas, notably in Maharashtra. Both have aggravated the perennial problems of finding working capital and adequate raw materials, which combine to make Indian industry's prospects uncertain.

Under-utilisation of capacity has its origins in the heavy industrialisation initiated in the 1950s without any real relationship to long-term demand considerations—and in Mr. Nehru's dream of an industrialised country that the Russians helped to fulfil. The result was a proliferation of public sector heavy engineering plants set up with Soviet assistance; since the fall in demand many have faced chronic surplus capacity. Some still do—the Heavy Engineering Corporation is the prime example—and continue to make losses, although diversification has helped others. More recently, it is demand constraints that have caused surplus capacity: the result has been a mixed bag and recent improvements have mainly been the result of a vigorous export drive.

The iron and steel industry has fared particularly badly and utilisation ratings continue to deteriorate. Cast iron castings, steel rolls and precision investment castings are reported working below 45 per cent. of capacity and some units in the sector are in difficulties because of falling demand resulting from severe cuts in public expenditure or product substitution. Non-ferrous metals, on the other hand, experienced substantial improvement in capacity utilisation, mainly because of better power supply and relatively easy availability of imported and indigenous inputs.

Other engineering units, particularly in the heavy mechanical sector, have suffered. The decline in construction activity, for instance, hit steel structurals, bright bars, steel tubes and cranes. Among the light mechanical engineering units, drum containers, oil barrels and bitumen drums operated at the miserably low level of 23.6 per cent. of capacity. The motor industry has still to emerge from the slump that followed the 1974 oil crisis and one of the three car plants has been forced to close down.

On the other hand, a marked improvement has been noted in industrial machinery. While many units reported capacity utilisation of between 70 and 80 per cent., conveyors and material handling equipment registered 110 per cent. last year; air separation plants went up to 121 per cent. The electrical industries group recorded impressive gains—notably in electric fans, industrial cooling towers and dust collectors (although consumer durables like air conditioners and refrigerators remain slack). Some electronic and telecommunications industries like radio sets and television, which had been continuously declining, have improved considerably since 1976.

The textile industry, which remains in the doldrums for a variety of reasons, is an example of another aspect of Indian industry—the growing "sickness" which has forced the Government to step in and take over managements so as to prevent closures and unemployment. Textiles has a heavy weightage in the production index and its vicissitudes have an important bearing on both industry and the economy as a whole. The magnitude of this became evident when 103 "sick" textile mills employing 160,000 were nationalised in 1974. The public sector National Textile Corporation is running these, trying to put the obsolete mills back on their feet, but its heavy losses are eroding the performance of the public sector as a whole.

Incidence

The incidence of "sickness" is high in such sectors as textiles, jute, sugar and engineering. Curiously enough, even in the small scale sector the proportion is high and this cannot be nursed back to health by the Government as in the case of large units, the takeover of which often becomes inevitable because of the unemployment it would involve. In the case of small units, it would involve merely insolvency of entrepreneurs, although the loss would be national. The reasons for "sickness" are many, starting with obsolescence and bad management in the case of textiles, and carrying on through problems of "cash flow" because of the credit squeeze, a low equity base, pricing policies, marketing and the like.

Rehabilitation of the "sick" units is causing anxiety to the Government, which is unwilling to take on losing concerns. It has offered concessions of various kinds, including fiscal incentives, to "healthy" units if they adopt the "sick" by amalgamation. This scheme has not yet got off the ground and many studies have been initiated to deal with this major and growing problem. These are expected to result in soft loans from the banks and further encouragement of mergers.

The last big problem facing industry is that of raw materials, many of which tend to become scarce when demand for them increases even slightly. Steel is an example of an item that was in short supply just a couple of years ago and yet is being exported now. This is a clear case of the misuse of administrative procedures and controls that industrialists constantly complain about. Prices of raw materials also fluctuate violently. There have been instances of imported raw material prices being actually higher than the finished product. Shortages are mainly due to creation of vested interests and inadequate implementation of the policy of controls, a source of much harassment and corruption.

Position

The public sector, which dominates Indian industry because of its commanding position in key areas, also faces these problems because of lack of co-ordination. But in many ways the public sector has come of age. Of the 130 public sector units—most of them large and capital-intensive—there are still some making losses, but most of the giants have come out of the red and collectively the public sector is showing profits (or, to use the official euphemism, generating resources for development).

The profits would be higher but for unrealistic pricing policies that public sector managements complain about. Coal India, which owns the bulk of mines in the country, would considerably reduce its losses if allowed more reasonable profits, as would the steel and fertiliser plants.

Public sector units have made impressive strides in exports since they have both the capacity and the resources to back them. In fact some would not have been able to do as well as they have in the past couple of years without large export orders. Bharat Heavy Electricals, with the third highest sales turnover in the country and a name to reckon with internationally in power supply equipment, is the prime example. Similar performances have been shown by Hindusthan Machine Tools and some construction and engineering units which are pooling their resources to bid for contracts abroad.

The public sector will remain the dominant factor in Indian industry since the new Government has endorsed this policy and it is now expected to enter the consumer goods sector in a big way. It is big enough as it is. The 130 units have an investment of more than Rs.105bn. (about £6bn.) and with a turnover that is expected to touch Rs.150bn. next year (not all of this is in manufactures). Their combined profits are estimated at around Rs.10bn. last year, a spectacular performance that is due as much to better capacity utilisation and management as to inflation—despite the recessionary conditions that still affect all of Indian industry.

K.K.S.

A social worker gathers children from Gonapur, a slum area, into a playgroup.

The family planning programme under Mrs. Gandhi's Emergency was handled badly, and the present government has reverted to more traditional methods of population control—with little success so far.

Family planning

THE JANATA Government attributes the poor performance of the family planning programme since it took over to the "lingering fear psychosis" induced by the Emergency's crash sterilisation campaign. But this is hardly the whole truth.

The statements of both the Prime Minister and the Minister responsible make it abundantly clear that their own personal convictions about the value of birth control, and modern medicine generally, are somewhat shaky. The reversion to orthodox Indian traditions and values, which characterises many other aspects of Janata thinking, is reflected in the Government's promise to rely much more on indigenous systems of medicine, and to integrate them with an Indianised system of modern medicine.

A farmer with his family near Delhi.

The Prime Minister's faith in the "natural methods of treatment," on which he himself has depended for the past sixty years, is well known. Raj Narain has on more than one occasion stressed the usefulness of celibacy and self-control: "Brahmacharya (abstinence) and self-control are methods which have been used over the ages and I see no reason why in our anxiety to make use of modern science we should neglect these methods. I attach high values to them and I would plead that full use may be made of the motivational media for their propagation." Sterilisation is said to be against "nature" and "Indian culture."

It is the extrapolation of this personal attitude of mind to the political and official policy level (as also in the case of prohibition) that explains the present Government's kid glove handling of family planning, and its reluctance to undertake an imaginative and effective fertility control programme. Such personal views and their public reiteration are hardly conducive to raising the low morale of programme workers or to refurbishing the reputation of birth control, both seriously damaged by the Emergency.

Vehement

In the past two years few things have brought India more into the international public eye than the family planning policies of Mrs. Gandhi's Government. Her son Sanjay's vehement support for an authoritarian fertility control programme, in complete disregard of the Indian Government's traditional commitment to voluntary persuasion, resulted in the adoption of policies which led to the sterilisation of 10.5m. people (mostly men) during the Emergency period of July 1975 to March 1977.

This phenomenal "success" of the Government's family planning programme, which in its twenty-five year history had never managed to motivate more than 2m. to 3m. sterilisations a year, is now generally attributed to the unprecedented use of coercion and economic blackmail by Government officials and the police towards the vulnerable sections of the urban and rural populations—the poor, the Harijans, the slum dwellers, the captive Government employees and so on. Nor was this simply a case of over-enthusiastic officials getting out of control; the National Population Policy of April 1976 endorsed the use of "much more stringent measures" to control fertility, and even provided central sanction for the compulsory sterilisation legislation under way in many States.

The humiliating and largely unexpected defeat of Mrs. Gandhi and the Congress in the March 1977 elections also saw the exit of the coercive sterilisation and urban slum clearance policies of the Emergency. As the post mortem on the excesses (family planning and otherwise) of the Emergency continues, the full horrors of the sterilisation campaign and its victims are now being revealed. Meanwhile Morarji Desai's new Janata Government has appointed Raj Narain, the man who so outstandingly defeated Mrs. Gandhi in the elections in her home constituency, as Minister of Health and Family Planning—a shrewd political move, to cool the anti-family planning hysteria.

One of the earliest concerns of the new Government was to publicise its firm repudiation of the ruthless sterilisation policies adopted under Mrs. Gandhi, and even to offer compensation of Rs.5,000 (£333) to each person forcibly sterilised.

At the same time it has repeatedly acknowledged its commitment to reducing the birth rate. Its June 1977 policy statement stresses the "vital importance of family planning," and the Government's "total commitment" to a small family norm. It laboriously emphasises that "family planning will be pursued vigorously as a wholly voluntary programme, and as an integral part of a comprehensive policy covering education, health, maternity and child care, women's rights and nutrition."

To emphasise this change in the public image of birth control, and its integration with the wider aspects of family life, "family welfare" has replaced "family planning" in the official terminology, and the Ministry has been rechristened accordingly.

The integration of family planning and health, in particular maternal and child health, as a basis for promoting the fertility control programme is in principle sound, but not new. It has been reiterated, with varying degrees of intensity, as the theoretical foundation of the family planning programme ever since its inception in the early 1950s.

In practice, however, the health and family planning administrative hierarchies for the most part worked independently of each other. Operationally too there was at times an almost absurd segregation of services at the clinic level: the "family planning" doctors did not treat malaria or mend broken bones, the "health" doctors did not dispense contraceptive advice.

The new Government has gone further than its predecessors in aligning implementation with policy, and in trying to create an integrated rural health programme.

The main aim of this programme, modelled on the Chinese barefoot doctor system, is to provide rudimentary medical services by community health workers. Each village with a population of 1,000 or more is to have such a worker, selected by the villagers and trained and equipped by the Government. In addition, there are the Government's multi-purpose workers (a scheme introduced earlier under the Congress), whose duties include family planning, nutrition, malaria and smallpox eradication, tuberculosis and leprosy control. The targets here specify one such male and female worker per 5,000 population.

Despite this general expression of support for voluntary birth control and the promotion of family welfare, however, very little has specifically been done so far by the new Government to rehabilitate the family planning programme, or to restore the political status and vitality that it needs. Admittedly, the new Government is still young, the wounds inflicted by the Emergency are still unhealed, and the birth control programme must keep a low profile.

Detailed

But what was urgently needed in the circumstances was a carefully drafted and meticulously detailed plan of action, aimed at re-establishing the credibility of family planning and the speedy resumption of motivational and contraceptive services. Present policy documents abound in generalities, but are conspicuous for their lack of a detailed programme of action on the family planning front.

Meanwhile, under this lame duck programme, contraceptive acceptor rates have shown few signs of a revival from the low levels to which they had fallen during the post-Emergency phase, nor are there any indications of an upward trend in the near future either. During the first six months of Janata rule (April to September, 1977), sterilisation acceptors numbered less than one-tenth and IUCD acceptors less than half of the acceptors during the corresponding months of the previous year.

Birth control publicity through the mass media has virtually disappeared, and the personal motivation campaign

CONTINUED ON NEXT PAGE

With some laudable exceptions, India's Press cannot look back on its record of performance during the Emergency with much pride or satisfaction. But now that the subsequent witch-hunt has slowed down, there is a breathing space in which to resolve differences.

The Press

E TRADITIONS of a free ss are (after an independent iciary) perhaps the most portant of all the legacies of British in India; and it is no dent that when Mrs. Indira idhi wished to impose an noritarian regime it was the spapers and the courts ch were obliged to bear the nt.

nder Mr. Desai's Janata ernment the pressure has been relaxed and India's ers—12,000 or so publica- s in 16 different languages ave returned to their normal e of querulous serenity. But memory of the last Gandhi rs, with their strict censor- , their intense pressure to it untruths and their im- onment of a number of rnalists under the security ulations, is still very vivid. l questions and doubts of a damental nature about the ian Press are being heard on ider scale probably than at time since Independence.

n the first place, Indian jour- ists are uncomfortably aware during the Emergency ir profession cut a distinctly neroic figure. There were nty of individual acts of re- ance, ingenious evasion, or n defiance in the face of ernment pressure—like that the Kashmiri editor who, en the authorities cut off his ctricity supply in order to ng him to heel, broke down wall of his machine room l drove his presses with a ctor. One or two of the aller periodicals chose to se down rather than accept isorship; and some others gged away with defensive ions in the courts. But as a iole the Indian Press suc- mbed to its fate with re- rkable docility.

During the Emergency itself at is, between June 1975 and e spring of last year—the wspapers may appear to have had some excuse for accepting censorship meekly. The Emergency itself was, after all, approved by Parliament. Censorship was legal and so was detention if the Information and Broadcasting Ministry's orders were disobeyed. The screw was tightened by the passage of the Prevention of Publication of Objectionable Matter Act—a catch-all statute covering "any words, signs or visible representations defamatory of the President of India, the Vice-President, the Prime Minister or any other member of the Council of Ministers of the Union, the Speaker of the House of the People or the Governor of a state." The Act gave executive officials the power to demand security and confiscate newspaper presses, and victims had to appeal to the Government in the first instance before going to the High Court.

Difference

But as the present Minister for Information and Broadcasting, Mr. L. K. Advani, has pointed out, there is a difference between those papers which observed the minimum requirements of the law and those which "when expected to bend, crawled." Some of the biggest dailies in English and the vernacular were in fact the most servile and set the tone for many of the smaller ones. Not only was little attempt made by most of these papers to resist excessive censorship orders in the courts—although the few cases that were brought showed that the judges were disposed to support the Press whenever they could—but fulsome eulogies and endless pictures of Mrs. Gandhi and her son Sanjay were plastered over many front pages. The attitude of the management of the Hindustan Times was not untypical when they put up a notice in the office on the first day of the Emergency calling upon employees to obey the restriction "in letter and spirit."

This yawning gap between the grandiloquent pretensions of the Indian Press in the years since Independence and its recent performance in the Emergency has struck many educated Indians both within and outside the media very forcibly. The first reaction among journalists themselves, has, not surprisingly, been a period of post-Emergency backbiting and finger-pointing.

Having spent a good many hours at the end of last year discussing the Emergency with journalists in Delhi, Calcutta and Bombay as part of a delegation got together by the International Press Institute, I and my Western colleagues were made very much aware of the undercurrent of bitterness now dividing the profession.

It is natural that those who took a courageous line should be anxious to see that their "collaborationist" colleagues do not get away with it. But of course, it is those with the least quiet consciences about their behaviour who are keenest on a witchhunt. It was not pleasant to hear the editor of perhaps the most abject of the English languages dailies during the Emergency now demanding a formal inquiry to "root out the guilty men" and explaining that his own fawning sycophancy for Mrs. Gandhi and her son had been a devilishly subtle attempt to ridicule her by excessive praise.

Nevertheless the main effect of this burst of self-criticism has been wholly beneficial. For as they ponder on what has happened, leading members of the Indian media have begun to realise that the weaknesses that the Emergency exposed so ruthlessly have been present ever since 1948 and were indeed built into the fabric of the Indian system. A Press which had won its laurels in the campaign for independence from the British, had slipped all too easily into a role which was, for all its superficial criticalness, fundamentally subservient to the new Establishment of an independent India. In the long years of the Nehru ascendancy fundamental criticism of the Government was unthinkable—and when corruption, graft and authoritarianism began to appear in the late 1960s on a serious scale the Press was too demoralised to ask the right questions.

Insofar as this state of mind is part of the Indian national character (as many Indians seem to suppose) there is presumably not much to be done about it. But if, as I prefer to believe, the experience of what perversions a centralist government can achieve has jolted many Indian journalists into a new frame of mind, the question still remains what can be done to entrench some of the freedoms which were so nearly destroyed for ever.

It is not an easy one to answer. Both Mr. Desai and Mr. Advani have declared their undying devotion to the principles of a free Press and so far their practice has not belied their protestations. The trouble is that in India central and State governments possess unrivalled possibilities of pressure upon newspapers without any recourse to statute or formal diktat and while these exist there must always be a serious danger that they will be used, if not by the present regime, then by its successors.

The most obvious fact about the media in India is that radio and television are in state hands and in a country of vast distances, high poverty and low literacy, radio is by far the most potent means of communication. The written Press can therefore be outflanked in an appeal to the people by skilful manipulation and demagoguery.

More direct forms of pressure, however, are even more potent. The size of the public sector means that government in effect controls more than 50 per cent. of any given newspaper's advertising revenue. What is more, advertising rates are strictly monitored and controlled by the government. No newsprint or printing machinery is manufactured in India and none can be imported without government licence. The possibilities for discriminatory patronage and pressure are boundless and were, indeed, exploited to great effect between 1970 and last year.

Another important factor in the position is the pattern of ownership of the Inidan Press. Most of the smaller local papers are family concerns operating in a limited area. Their small size makes them vulnerable to local government pressure. On the other hand, the large semi-national dailies tend increasingly to be part of large industrial empires whose owners' interests are so widespread that they are vulnerable to central government pressure on a broad front. For such men the subservience of their main newspaper may be a small price to pay to ensure that the rest of their activities are not hampered by government harassment. In the period after 1970, the concerns which tended to show most resistance were either very small periodicals with little to lose, or medium and large sized papers whose proprietor's interests were exclusively or predominantly in communications.

It will be seen from all this that the task of reforming the Indian Press and keeping it reformed depends heavily on factors outside the Press itself—and the most important of these must be the self-restraint of the Indian government in the face of all temptations to behave in a contrary fashion. Whether, in the long run, such self-restraint can be relied upon will depend, in turn, upon the balance between two contrary forces.

One is the sheer diversity of India itself which dilutes the power of central government and provides both an opportunity and a justification in the Indian context for a free and diverse Press. The opposite force is that of imperious politicians like Mrs. Gandhi who wish to impose order and efficiency upon Indian chaos and will try to brush aside anything—including the criticisms of the Press—which stands in their way.

Most observers would probably predict that Indian diversity, which has frustrated autocrats from Alexander the Great to Lord Curzon for more than 2,000 years, is unlikely to be a pushover for anyone in the foreseeable future. It would follow that within the crevices between the building blocks of such a vast and loosely constructed edifice a luxuriant and diverse Press will continue to flourish. The quality of that Press, however, and its ability to withstand what are likely to be frequent assaults from the autocratic tendency must depend upon its own efforts and here there is—as many Indian journalists have now begun to realise—much to be done.

Links

For one thing, the links between the Press and its public badly need strengthening. The fact that, although the total circulation of all Indian newspapers and periodicals tops 30m. there was so little public outcry at the Press provisions of the Emergency, suggests that even among the educated classes and the elite a free Press is not generally regarded as an indispensable part of the community. And frankly one is not surprised. I am not in a position to judge the vernacular Press, but an outsider reading the English Press finds the tone often shrill and factional; the reporting frequently slipshod and biased and the appearance unadventurous to the last degree. The best of Indian journalism is as good as anything in the world, but the best is very thinly spread.

In a country like India with widely varying educational standards there is a lot to be said, on the face of it, for schools of journalism to raise professional standards, yet this is a development still in its infancy. The Press Council with which Mrs. Gandhi's Government dissolved has not yet been reconstituted and was in any case something of a broken reed because there was no real desire on the part of the proprietors to make it work.

Mr. Advani, announcing his intention the other day to set up a new Commission on the Press, quoted with approval a tag from the NPA's evidence to the British Royal Commission on the Press last year: "a newspaper is a piece of private property with public responsibilities." In India, the trouble is that the tension between these two poles is of a peculiar, circular kind in which State and Fourth Estate chase each other's tails. Now that this frantic roundabout has slowed down for the moment there is a chance for thoughtful Indian journalists to seize the opportunity to put the whole debate on a different footing. There are some signs that this is happening. But the pause may not be very prolonged and there is no time to be lost.

David Watt

Family

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using programme officials is noticeably non-existent. Despite the liberalisation of the abortion laws in 1971, the procedures for registering approved clinics are so cumbersome that there are only 2,000 registered abortion clinics in the country, and only about 200,000 of the estimated 4m. abortions each year are legally induced.

Moreover, although the proposed integration of health and family planning is undoubtedly a step forward, the wisdom of disbanding altogether the specialised cadre of family planning workers and the programme as a separate entity is questionable.

India has an estimated population of 615m., dispersed over an area of 3.3m. sq. km. Given the shortage of human and material resources, and the inevitable logistical difficulties in establishing a comprehensive health programme on a national scale, the Government's target of recruiting, training and supplying 600,000 community health workers and 250,000 multi-purpose workers is unlikely to be achieved in the near future. Even if it is, the magnitude of the problem and the multifarious duties the workers are expected to perform mean that limited resources will unavoidably be spread very thin, and the scope for promoting contraception among the country's 106m. reproducing couples will be minimal.

Meanwhile, India's population continues to grow by more than 12m. a year. With the marginal decline in fertility of the last decade more than offset by a faster decline in mortality, the population growth rate has increased to 2.3 per cent. per annum. If this growth rate continues, India will have a population of approximately 1bn. by the turn of the century. Even those projections based on a more optimistic view of declining fertility show an alarming growth in numbers (for the demographic reason that the enormous generations of future parents are already born, so that even if their individual fertility is lower than at present, the total number of births and hence the birth rate will remain high).

The demographic profile and projections for India leave no room for complacency or political platitudes. The blunders of the Emergency should not be allowed to detract from the critical urgency of a humane but effective fertility control programme. The sentiments expressed in this regard by the Janata Government sound laudable enough, but up to now their practical proposals have been neither adequate nor particularly relevant.

Veena Soni

Indians tend to adopt an ambivalent attitude towards the law of the land and the men who enforce it. But the general rule is that the judiciary is respected, and the conflict between it and Parliament on the extent of its powers now seems to have been resolved.

The judiciary

IN INDIA we hate our law courts but love and respect our judges. This love-hate relationship needs to be explained. We hate our law courts because the courts, as well as the legal process, imply inordinate delays, harassment and worse. Form seems to have superseded substance. Even helping the law as a citizen (giving evidence, for example), means endless trouble. Little wonder an honest law-abiding citizen would rather avoid the law courts. But the judges, especially of the higher courts, are revered for their tradition of impartiality. Proof, if proof were needed, is the invariable and unanimous demand for inquiries by High Court or Supreme Court judges into the causes that exercise the public mind.

Right now Mr. Justice J. C. Shah, a former Chief Justice of India, is inquiring into the allegations of excesses during the Emergency by the Indira Gandhi regime. It is the single best thing said to have happened since the Janata Government took over. Its wide coverage in the Press indicates the Commission's popularity. Everyone who has watched the proceedings has come away with the impression that here is no-nonsense justice and fair-play at work.

Then there is Mr. A. C. Gupta, also a judge, inquiring into the Maruti affairs (Maruti is Mr. Sanjay Gandhi's concern which was expected to produce mini-cars on a mass scale). A third Commission also headed by a judge, Mr. Jaganmohan Reddy, has already found that Mr. Bansi Lal, who was Mrs. Gandhi's Defence Minister and had earlier been Chief Minister of Haryana, had misused his powers as Chief Minister to perpetuate injustices and irregularities of various kinds, including bulldozing houses and temples so that his near relatives could profit.

Then there is the role of the judges during the Emergency. Their performance was most laudable. Politicians, even the senior and experienced ones, some of whom are so vehemently opposed to Mrs. Gandhi now, had developed a paralysis of will and of tongue. Civil servants, not entirely unexpectedly, did things legal and illegal to please their masters. Journalists, at least some of them, crawled when they were asked to, as the present Information Minister, Mr. L. K. Advani, puts it.

Conscience

Not that some of the judges did not have weak knees, but by and large they decided cases according to their conscience and lights. The Bombay High Court, for instance, ruled that the job of the Chief Censor was to see that the censorship law was observed and not to mould the Press to suit the convenience of the Emergency regime. It was none of its business, for instance, to suppress Court judgments unfavourable to the Government (the Bombay High Court's ruling on censorship, for instance). The Gujarat High Court ruled against the restrictions put on a local paper. The Delhi High Court criticised the detention of a journalist.

The judges who delivered judgments embarrassing to the Indira regime had to pay the price. Seventeen High Court judges were transferred, without their consent, to other States. The Constitution does permit the transfer of judges to other High Courts, but to do so as an expression of displeasure over a duty conscientiously done is reprehensible. Happily, the Janata Government has already transferred 14 of such judges and the case of the others are being examined.

The point to note is that ever since independence the judges have shown an independence of mind which has proved highly inconvenient to politicians, although the Constitution itself has done its best to make judges truly independent. The seeds of dissension, as the politicians see it, have been sown by the Constitution itself. The power of judicial review, denied to British courts, is a fact of life here. Until the 42nd Amendment, the courts were free to examine both statutory and constituent laws and to strike them down if they found them unconstitutional. The judiciary's right to review statutory laws is not disputed, but the right to review constitutional amendments is.

The first major trouble between Parliament had the judiciary arose when the Supreme Court ruled by a majority of six to five (in the Golak Nath case) that Parliament could not abridge fundamental rights because the Constitution forbade the State from making laws which were inconsisent with fundamental rights. And law means both statutory and constitutional law. Parliament retaliated by adopting the 24th Amendment which explained that "law" meant only statutory law and thus reasserted its right to amend any and every part of the Constitution.

Structure

The next scene in the drama was the Keshavanand Bharati case in which the Supreme Court, again by a majority of one (seven to six), ruled that, although Parliament could amend any part of the Constitution, it could not destroy its basic structure. The judges did not define what constituted the basic structure but some of them gave illustrations: the secular and federal character of the Indian polity, republicanism, the division of the State organs into the executive, legislative and judiciary, the dignity of the individual and the unity and integrity of the nation.

Parliament once again retaliated by adopting the 42nd Amendment. It provided that no amendment of the Constitution, including amendment of the fundamental rights, could be "called in question in any court on any ground." "For the removal of doubt," it clarified that "there shall be no limitation whatever on the power of Parliament to amend by way of additions, variations or repeal the provisions of the Constitution."

Parliament's action has created a piquant situation. The Keshavanand Bharati ruling which says that the basic structure of the Constitution cannot be altered or destroyed is the law of the land and constitutionally all organs of the State are required to implement it. But there is also the 42nd Amendment which proclaims that Parliament has the right to destroy even the Constitution. Since the 42nd Amendment had not been tested before the Supreme Court, the court's views are not known.

But happily the collapse of Mrs. Gandhi's regime, and along with it of the Emergency, has brought a sense of proportion among parliamentarians. The Janata Government and Opposition parties have reached a consensus that the basic structure (to be exhaustively defined) of the Constitution cannot be changed without a referendum. The secular and federal character of the Constitution, election to Parliament and State legislatures, responsibility of the executive to the Lok Sabha, the unity and integrity of the nation will be some of the pillars of this structure. This should end the conflict between Parliament and the judiciary.

Thus after a long and unnecessary debate a consensus is emerging that it is the Constitution that is supreme, and not any of the organs created by it. Above the Constitution are the people, who, to quote the preamble, have "adopted, enacted and given to ourselves this Constitution." This was the original constitutional scheme and it is good that it will be so again.

S. Sahay

A still from SS Movietone's "Dharam-Veer," an Indian epic directed by Manmohan Desai. U.K. distribution is by Indian Film Distributors.

Although Indian cinema is both conservative and fairly basic in formula, it is also prolific, and an important form of entertainment in a predominantly illiterate society.

Cinema

IT IS now universally known that the Indian cinema is the most prolific in the world (having made about 500 feature films last year), that Indian censorship still blanches at the kiss, that Raj Kapoor is better known in the Soviet Union than Morarji Desai, and that Satyajit Ray is ranked as one of the greatest film directors of all time.

What is perhaps not so generally known outside India is that the cinema is now also India's most popular folk art because it partly caters to unlettered rustics who come to the cities in search of employment. For them it is a cheering substitute for those familiar folk morality plays which regale them in the villages during religious festivals and in which they themselves participate with zest.

The dream sequences with Cadillacs, car chases, lush apartments straight out of Good Housekeeping and spectacular dashes to London, Paris, Niagara Falls, the Swiss Alps and Tokyo are meant to whet the appetites of both the factory hand and the Government clerk in search of escapism as well as feed the innate snobbery of the suburban housewife longing for an Air India trip to collect French perfume, Levis for her son and possibly an immigrant husband for her marriageable daughter.

There are Bombay versions of Godfather, Love Story, Dirty Harry, James Bond and Belmondo. The technical gloss of the Bombay film, its superb colour photography, and the slick songs, dances and comedy sequences (which have spilt over from folk theatre and some say even from classical Sanskrit drama) co-exist very peacefully indeed.

If the Bombay film keeps everyone happy and has been described as one of the greatest contributors to national integration, it is for a very good reason. The plot always reduces itself to the victory of Good over Evil, which is the basic meat of all Indian epics and mythological legends. Good is now the ever-faithful wife, the self-sacrificing mother, the dutiful son, the hard-working villager. Evil, naturally, is the westernised college girl, the wicked cabaret dancer, the rich man's arrogant son, the village landlord. It is a basic plot which keeps everyone happy, no matter how *avant-garde* the outer trimmings.

Opulent

The Tamil cinema of the South, to which has now been added the Telegu cinema of Andhra Pradesh, is just as opulent, escapist, expansive and box-office orientated as Bombay's but with two vital differences. Film-making in the South, with well-organised and highly professional studios and old-style movie moguls, is vastly different from the free-lance bedlam of Bombay.

The Tamil cinema is also the only one in India which has taken an active part in politics. The present Chief Minister of Tamilnadu, Mr. M. G. Ramachandran, is one of India's top stars. His predecessor in office, Mr. Karunanidhi of the DMK party, is one of the Tamil cinema's leading story and screenplay writers. The late Mr. Annadurai, one of the political giants of the South, was also a leading screen writer.

Small wonder then that the Tamil cinema has had political nuances down the years, to the extent that the DMK party used to slip its symbols — the colour red (in bedroom decor, the heroine's sari) and the rising sun (a cliche opening shot with flute music in the background in any Indian film) — into their films, to the huge joy and thunderous clapping of their supporters. Otherwise, the Indian cinema has been timidly apolitical, not only in British times, which was understandable, but after independence. This is partly due to greed — the need to avoid censor troubles—and partly due to the fact that the Indian film censorship laws have not changed at all since British rule.

It is in this context that the wild controversy ranging in the readers' letters columns of national newspapers, and the extreme stances taken both by

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The roots of Indian theatre are very deep and at the moment the movement is staging a revival. This is being achieved despite the problems of being a country with 15 major languages. Its success was highlighted by an all-India festival held in Cochin last month

The theatrical movement

DIA'S VERNACULAR ɜatre, picking up some of the ands of age-old tradition, is dergoing a revival. While ɜre can be no real "national" ɜatre in a country of 15 ıjor languages and strong gional differences, attempts ing made to cross these rriers are evidence of a gorous, if tiny, theatre moveɜnt.

Regular festivals of Marathi d Kannada plays (both stern Indian languages) are ld in Delhi, a thousand miles ay, where only Hindi is oken. An all-India festival, monstrating the complexity d richness of Indian theatre, ıs put on last month in chin, in the southernmost ıte of Kerala. The eight plays oduced ranged from a alayalam version of a nskrit epic through folk drama Gujarati to socially conscious ama in Bengali.

The roots of Indian theatre very deep. As Nissar Allana, young doctor turned full-time eatre designer, puts it: anskrit plays have everything myth, spirituality, day-to-day cidents and a tremendous nse of humour." The Natya ıastra (literally, drama anual) which was written me time between 200 BC and 0 AD, shows a fine sense of tality, blending dance, music, eech and movement. Koodiyatm, for instance, an ancient ance drama where the perrmers' faces are masked with aint, is almost cinematic in s use of light and shadow.

The problem is of course that anskrit is a dead language; ho but the pundit will attend performance in it? Yet there is Kalidasa festival — named after the playwright who was the "Shakespeare of India." As people in theatre are now pointing out, the task before contemporary playwrights is to draw on this classical tradition and make such theatre socially relevant to-day. Mohan Rakesh, a Hindi writer who died a few years ago, did this very successfully in *Ashad Ka Ek Din* (A Monsoon Day) which ostensibly deals with the legend of Kandasa himself — who renounced the pleasures of court to seek solitude in a forest and write plays — but broadly comments on the conflict between an artist's commitment to his art and his personal life. The play, incidentally, has also been made into a low-cost film by one of India's *avant-garde* directors.

Playwrights

Much more, however, can be done with folk forms, as many playwrights are only just finding out. Several of these are rooted in music and dance, like *chhau* and *Jatra* of eastern Indian and *tamasha* in Maharashtra State. But the vitality of these traditions is being sapped as the village succumbs to city entertainment; the open-air rendition of folk ballads and popular epics by wandering players is giving way to the stuffy cinema. (To fight this intruder is no easy task, considering that India has the world's biggest film industry!)

Nevertheless, wherever adaptions have been made of folk plays, the results have been most rewarding. Jasma Odan, employing the Bhavai, or medieval folk drama in Gujarat, was performed at the recent Cochin festival. But by far the most spectacular production in this genre to date is Habib Tanvir's *Charan Das Chor* (Charan Das The Thief) about a Robin Hood-type figure. Tanvir, who was trained at RADA in London and the Bristol Old Vic, uses illiterate villagers in the play and allows them to improvise their lines in a north Indian dialect which most purists would sniff at. It has also been made, albeit disastrously, into a full-length children's film. Yet another imaginative adaption of folk is *Hayavadana* (literally Horse Face), written in Kannada by Girish Karnad, a former Oxford union president who commutes easily between stage and screen.

Finally, there is the contemporary theatre, which is admittedly of minority interest but easily the most vital. The beginners all delved into Becket or Anouilh and came up with lots of alienation and very little of the Indian reality. A classic example is *Evum Indrajit* by Badal Sircar, probably India's leading dramatist to-day. A plaintive plea against the purposelessness of city youth, it uses no sets and the characters play different roles (the title "And Indrajit" refers to his being incidental to life). Rakesh is the best exponent of this school with plays like *Adhe Adhure* (Half Finished) about the torment of middle-class existence. Sircar, fortunately, moved on to more committed drama.

A very important figure in the transition to "realistic" theatre is Vijay Tendulkar— again a name which more often appears in the credits for film scripts these days. His searing indictment of morality in present-day Maharashtrian society shocked many, especially with *Sakharam Binder*, in which a bookbinder called Sakharam —a marvellous portrait of greed and lechery—is "tamed" by a prostitute he brings home with him. Interestingly, this play has been performed in Hindi and English as well! Another of his plays, *Gidhade* (Vultures), had a scene cut (India still follows the Raj tradition of pre-censorship) because the heroine had to appear with a big blotch on her sari after an abortion.

Badal Sircar's group, Satabdi, has broken away from proscenium theatre and now performs, amazingly, in factories, schools and other community places in Calcutta. Angered by the impoverishment of his State, West Bengal, he even stages shows in *maidans* or parks, attracting weary *babus* as they wend their way home in the evenings. Another Bengali group has staged a street happening where a few members initiate a debate, draw members of the public into it, and gradually withdraw till they form the audience!

Active

There is also an active amateur theatre in English— terribly imitative and increasingly irrelevant. Its mimic-men are advertising executives and other Anglicised minorities who are totally cut off from the cultural mainstream.

Although all amateur groups are starved of funds, there is still an experimental play to be seen once a fortnight in a city like Bombay, staged in a decrepit school in one of the most crowded localities. There is also an excellent National School of Drama in Delhi, and most surprising of all, a bimonthly magazine in English, *Enact*, devoted entirely to theatre (each issue carries a script).

Films are a constant threat. Stage actors are picked up and made stars overnight; they can earn the equivalent of £10,000 a film. For instance, Utpal Dutt, another angry young man of the experimental Calcutta stage, has become a character artist in grotesque Hindi features. Amol Palekar, who has been responsible for initiating serious "low-budget" Marathi theatre in Bombay, also is one of the best-known cinema stars to-day.

Despite all this, the Indian theatre movement is alive and well. It has yet to achieve a national identity, but is there any such thing to-day even in the political sense? The movement—and that is the right word—forges ahead in many tongues: the controversies and criticisms appear in small literary magazines which most other Indians cannot possibly follow. Still, in the national Press—and more important at theatre workshops and frequent festivals—there is a growing sense of brotherhood and excitement at each discovery of what is happening in some remote corner of the country.

Darryl D'Monte

Cinema

CONTINUED FROM PREVIOUS PAGE

ritics and filmgoers over the ilm *Kissa Kursee Kaa* (The datter of the Chair) assume reat significance. It will be ecalled that this film, made uring the Emergency, was estroyed after being submitted Mrs. Gandhi's Government for ensorship. Its burnt remains ere allegedly found in Mr. anjay Gandhi's Maruti car facory. Both Mr. Gandhi and Mrs. andhi's erstwhile Minister for formation and Broadcasting, r. V. C. Shukla are now facing iminal charges in a court of w for wilfully destroying the m.

In fact, Kissa (re-made by producer Amrit Lal Nahata, MP) ran into troubles of its n before release. Its plot, of corrupt President, whose ection is set aside by a court law and whose party symbol the People's Car, was too ar the bone and the Indian w Ministry had to look into possibility of libel action fore giving the green signal the censors. In the event, sa is still being hotly dissed, compared to All The esident's Men and is likely to t a new trend in political ire in the Indian cinema.

However, this solo political rtie apart, the Bombay Hindi nema, which makes loud ims about its social purpose, s remained mostly completely vorced from reality, and this plies as well to the Madras ema. The so-called New ave which followed Satyajit y's shining and brave ample gathered some force some bright products of Film Institute in Poona, as Mani Kaul and Kumar ani, encouraged by funds the Government-sponsored m Finance Corporation, made ne interesting off-beat films. ey were more discussed ring their screenings at film tivals but were far too eric, and at times selfishly jective, for the home rket. Some of them were sidered a waste of public ds and did not even receive tical acclaim.

That Indian films can come quality with box office peal has since been proved in small film-making regions well as Bombay itself. Basu atterji, a Bengali director rking in Bombay, set the ball ling with some charming all-budget films which can be scribed as contemporary nedies. They used comratively unknown young ors and actresses and dealt th suburban middle-class life, ior executives in Bombay's vertising world, and most ently, the marital troubles of TV producer. They have oved popular with all types of diences.

Shyam Bengal has also made dent in the Hindi box-office th *Ankur* and *Nishant*. His most recent release *Manthan* (Churning) was sponsored by a milk co-operative and actually deals with the tensions in a village when a small group tries to set up a milk co-operative to break the monopoly of the local milk merchant, whose adulterated milk is sold at a huge profit. Its cast included Girish Karnad, a Rhodes scholar who is also a playwright and film director, the screenplay was by Vijay Tendulkar, one of the leading Marathi playwrights, and it has also won the National award for Hindi films in 1977. Like Chatterji's films, it has attracted the average filmgoer as well as film buffs.

The focus on quality film-making, to a great extent, has also shifted to the South, to Karnataka (formerly known as Mysore state) and Kerala. The film *Sanskara* has already been shown abroad. The main role of the Brahmin priest was played by Girish Karnad, who then went on to direct some films of his own. Karnad now also acts in Hindi films, notably in films by Basu Chatterji and Shyam Benegal.

This interchange of talent from different regions is breaking down linguistic and provincial barriers and leading to a new kind of serious, thought-provoking national cinema very different from the escapist extravaganzas of Bombay and Madras. The products are also attracting audiences all over the country and at different levels of appreciation which is breaking down audience barriers as well.

In this context Satyajit Ray's fine Hindi film, *Shatranj Ke Khilari* (the Chess Players) (already screened at the London Film Festival) has not unexpectedly run into very serious distribution trouble. It has still not been released anywhere in India. It seems to have proved too much of a threat to Bombay's movie moguls who have battened for too long on star values, silly plots, spectacle and what passes for sex and violence (which is laughable anyway by Western standards). There are even dark whispers that the New Wave directors, whom Ray has not hesitated to criticise on the rare occasions when he comments on other Indian directors, may also have felt that Ray's masterly film, his first in Hindi, which is not even his mother tongue, constituted a threat to their *avant-garde* pretensions as well.

Be that as it may, what with the fur still flying over the political implications of *Kissa Kursee Kaa* and now that public row over release of Ray's new film, the largest cinema industry in the world is obviously not only very much alive, it is kicking as well.

Amita Malik

Water flows through newly dug ditches in Maharashtra. The State is India's most efficient sugar producer.

Quite a few countries have a "problem of the South" so India is not alone. A striking feature in this instance, however, is that the inhabitants, for all their ethnic and cultural differences, appear to be abandoning their traditional secessionism and seeking closer ties with the North.

The South

WHEN THE South turned its back on the Janata Party in the March general elections, it seemed to confirm the worst suspicions of the North that across the Vindhya Mountains lay an alien people whose Dravidian race and culture cut them off from the Aryan civilization of the North. To those from the Hindi belt the South spoke a different language, wore different clothes and ate different food. To Morarji Desai—himself from Gujerat and thus not truly part of the Hindi belt—the rejection of the Janata Party by the South carried them out of the mainstream of Indian politics.

The arithmetics of the poll give some credence to this view. In Kerala, Andhra Pradesh, Karnataka and Tamil Nadu, the meagre record of seats the Janata Party gained has led these four states to be dubbed Zero, One, Two and Three. In Maharashtra, which geographically stretches into the South if not traditionally part of it, Congress just retained its hold as the strongest single party.

But in voting for Mrs. Gandhi or her allies, the South wanted to be seen to toe the line being set in Delhi. For the most striking development of recent years has been the way that the old cultural and linguistic quarrels between the southern states and Delhi have been eclipsed by the South's anxiety to be drawn into the orbit of national politics.

Prohibition

The first state to have pushed through extremist measures to implement Mr. Desai's exhortations on prohibition has been Tamil Nadu—once the home of Tamil secessionism and still the scene of firebrand pro-Tamil rhetoric. But Tamils under 45 will no longer be able to buy alcohol. The weak state administration of the film star Chief Minister Mr. M. G. Ramachandran wants the patronage and funds of Delhi.

In Karnataka, Mr. Devraj Urs, one of Mrs. Gandhi's strongest supporters who was recently ousted as Chief Minister when the Central Government, on tenuous grounds, imposed presidential rule on the state, has been up to Delhi probably 100 times in the past six months, canvassing his cause. His rivals have not been far behind.

If the Janata Party does well in the forthcoming state elections to be held in Maharashtra, Karnataka and Andhra Pradesh—and it is desperately anxious to do so to establish itself as a national party—it will be largely because the moulders of opinion in the South see the advantages of tacking to the same wind as the North.

The danger of mirroring Delhi so closely is that this will mean an end to the long periods of stable rule that some of the southern states have enjoyed.

Thus the lack of cohesion within the Janata Government is likely to be reflected by similarly divided ministries in the States and by the persistent threat of president's rule as the short cut to resolving local bickering. Tamil Nadu and Kerala have long lived with unstable administrations. But in Maharashtra, Andhra Pradesh and Karnataka it will be a turn for the worse.

What was always misleading about analysing the March election results as a show of Dravidian strength against the Aryan North is that there is no such cohesion or consciousness of a common culture among the southern states.

The four main languages of the South—Kannada, Malayalam, Telugu and Tamil—have a common Dravidian root, but there are great linguistic barriers between the peoples of Karnataka, Kerala, Andhra and Tamil Nadu. The regional nationalism of the Tamils and their fierce opposition to Hindi being imposed on them as the language of India is not matched in the other states. Almost entirely gone is the South's former sense of inferiority in face of the Brahmin-dominated North.

The South has no unified economy. Each state raises its own revenue and negotiates with Delhi for its share of the Central funds. The industries of the South sell either locally or at a national level depending on their size.

But the southern states do have a number of features in common and which distinguish them from the North. Levels of literacy are higher. Against a national average of 29 per cent., the literacy rate in Tamil Nadu in the 1960s was 39 per cent., Kerala 60 per cent., Karnataka 31 per cent., Andhra 24 per cent. and Maharashtra 39 per cent.

New industry has been attracted to the South — to Bangalore, Mysore, Hyderabad and Bombay (not truly the South) which partly accounts for the sense of prosperity. When compared with old industrial centres like Calcutta, state governments have been more efficient—Andhra Pradesh, for instance, under the able Congress Chief Ministership of Mr. Vengal Rao or, even Karnataka where growing corruption has offset some of the gains. And the quality of administration has been reflected in increases in agricultural output which have made Andhra (until the cyclone) the "rice bowl" of India and Maharashtra the most efficient sugar producer.

It was because the South had few grumbles about the local Congress regimes, and because the emergency made so little difference, that it seemed sensible to the politicians of the South to back the status quo and stand four square behind Mrs. Gandhi in March. After she lost and the Shah Commission made public the abuse of power in the North, many of the same politicians regretted the line they took and would change horses if they could do so without a loss of credibility.

Popularity

One inhibiting factor is the strong personal popularity in the South that Mrs. Gandhi has among the Harijans (untouchables) and other poorer classes. She stirred their political consciousness in a way no other national leader has done since independence by promising higher living standards, more jobs and reserved places in the Administration. In Karnataka, Mr. Devraj Urs, the Chief Minister and her appointee, made populist measures carried out in Mrs. Gandhi's name the plank of his administration.

Like many of Mrs. Gandhi's associates, however, he also made as many enemies by his unscrupulousness and the extent to which corruption flourished under his rule. Nonetheless, the dominant castes—the Lingayaths and Vokkaligars in Karnataka, the Reddis and Kammers in Andhra and the Marathas in Maharashtra—do not pack the same political punch since Mrs. Gandhi appealed over their heads and demonstrated their vulnerability.

Mrs. Gandhi is counting on this popularity in the South to establish her power base. Were there to be an avalanche of support in her favour—and this seems unlikely—then the challenge she could mount to the Janata Government would precipitate the strain in North-South relations that was feared in March.

The other major threat to the present equilibrium could come if the Janata Government came under the extremist sway of the Jana Sangh and the BLD. Such an aggressive combination of pro-Brahmin and Pro-Hindi parties would be unacceptable to the South and is the less likely to occur because of this.

But while the Janata Government hugs the middle ground the South can live with it. Even as is the case now when the politicians of the South have contempt for its leadership and performance.

D.H

One in every six Indians comes from Uttar Pradesh and its problems are typical of the whole of the country. Its politics are a battleground among the different factions and it suffers from uneven development, poverty, illiteracy, over-population, violent crime and rising prices.

Uttar Pradesh

Above, left to right: Charan Singh, a major power in Uttar Pradesh; Raj Narain, who unseated Mrs. Gandhi in last March's elections; and Mrs. Gandhi, now under investigation on corruption charges.

'AR PRADESH, the domi- t state in Indian politics, is e closely intertwined with Centre than any other and ably because of this, shows e prominently the symptoms he debilitating illness at the t of national political life.

s... sprawling disunity, ther with the factionalism he major political parties at state and national level, made it a battleground for ral politicians striving to d a power base to support r activities in Delhi. The e elections last June, in h the so-called Janata Wave pt the Congress Party out of State Assembly, installed a lustre and largely inexperi- ed cabinet with little plat- n other than opposition to excesses of the Emergency, even less in the way of an omic programme. A later lection installed as Chief ister Mr. Ramesh Yadav, a ner lawyer with no previous erience in government even village level, with a reputa- for affable incompetence a close understanding with National Home Minister, Mr. ran Singh, whose power in state greatly outweighs the of his following.

he problems of Uttar desh are the problems of ia writ only a little smaller neven development, poverty, eracy, over-population, ent crime, rising prices, ionalism on every conceiv- e basis—be it regional, social, igious or of caste—and a dership held together by gmatic political ties more n by any shared principles or grammes. But he who holds ar Pradesh, they say, holds ia. After all, one in every Indians comes from this te, to which are allocated 85 the 525 seats in the Lok bha. It is conveniently jacent to Delhi, and ever since the days of Nehru, its Brahmin community has wielded disproportionate influence in national government—Morarji Desai is the first Prime Minister not to come from Uttar Pradesh.

The state's electorate is split, almost to the point of absurdity, into factions, communities and sub-communities which no leader since Nehru has been able to unite. The relatively prosperous western part of the state has far more in common with the neighbouring states of Haryana and Punjab than with the sleepier, more backward east, the hilly, arid south, or the Himalayan north.

Communal differences between caste Hindus and Harijans, or Hindus and Muslims, lead to constant friction and not infrequent violence—only last October, around 20 people and possibly more are reported to have died in Varanasi when a group of Hindus insisted on holding a procession through a Muslim area. Reports on atrocities committed against Harijans are commonplace. Even among the caste Hindus, profound undercurrents of hostility between the ascendant small farmers of the Jat, Kurmi and Ahil castes, the powerful Thakar landowners and the influential Allahabad Brahmins surface from time to time—particularly at elections.

Disturbed

With national, state and three state by-elections, the ten months since the end of the Emergency have proved a particularly disturbed time. Political activity in Uttar Pradesh is based largely on caste-oriented factions, and alliances between them tend to be forged by individuals at the top rather than by any awareness of common aims at grass-root level. Until March, 1977, Uttar Pradesh was a Congress stronghold and this type of politicking was held in check by the strength of the party leadership. The popular theory that the latest split in Congress will provoke a similar split in Janata has yet to be borne out by events, but the intense rivalries within Janata are disturbingly apparent.

Chief among the state's power brokers is Mr. Charan Singh, 78, formerly leader of the Bharatiya Lok Dal and within Janata, leader of the conservative wing comprising former BLD and Jana Sangh members. His prominence on the national stage and his ambitions for the Prime Ministership (thwarted last March by the Congress for democracy leader Mr. Jagjivan Ram) are curbed by the essentially regional nature of his power base. His personal supporters are confined largely to the Jat farmers of western Uttar Pradesh, Haryana and parts of Rajasthan, and although Jats make up 40 per cent. of the population in his own constituency, they form only 3 to 4 per cent. of the national population.

Since last March, Mr. Singh has enjoyed the support of the socialist faction led by Mr. Raj Narain, who is best known for having unseated Mrs. Gandhi in her own constituency of Rae Barelli, and of the Jana Sangh, the strongly pro-Hindu party which is currently the second largest element in Janata after the BLD.

Supporters of Charan Singh find in his "neo-Gandhian" economic theories, which advocate more small-scale farming and cottage industry, the most positive motivating force in present politics. His opponents see in him a power-hungry opportunist intent on wooing Jats and the so-called backward classes at the expense of just about everybody else, particularly industry, consolidating his grip on the state through puppet nominees in state, village and student posts, elevated to office with the help of strong-arm tactics at the polling booths.

Rival

Within the state, his strongest rival is possibly the Federal Minister for Petroleum and Chemicals, Mr. H. N. Bahuguna who, together with Jagjivan Ram, broke away from Congress early last year to form the Congress for Democracy, taking with him much of the Muslim support afforded Congress since the days of Nehru. He has sought to consolidate his base by assiduously wooing the Muslims both within the state, where they form 30 per cent. of the total population, and nationally. He is currently supported by the Congress (O) faction and the Soviet-oriented Communist Party of India.

Rivalry between these two protagonists takes many forms, from the comic opera attempts to stage massive rallies in each other's regional strongholds to more destructive activities. Evidence of CPI involvement in the current teachers strike, involving most of the state's 80,000 secondary school teachers, is being widely read as an attempt by the more left wing in the Bahuguna camp to harass the government of Mr. Singh's protege, Mr. Yadav.

However, this type of infighting has little impact on the rural towns and villages, where most of the electorate lives and where political leanings are harder to estimate or to capture. But there can be little doubt that despite the emergency excesses and the cruelties of the family planning programme, support for Congress dies hard.

It is perhaps significant that the Harijan vote, of which 50 per cent. went to Janata in the March 1977 election, reverted back to Congress in the June state elections. This does not necessarily mean that Harijans, perhaps the most abused of all in the enforced vasectomy drives of the family planning campaign, have forgiven or forgotten. Harijans sometimes have their voting done for them, if one is to believe the stories. But the Harijan vote has traditionally gone to Congress and, whether controlled or not, the voting figures indicate a significant swing in this predominanty rural sector.

Following the recent split in Congress, it is impossible to say at this stage which faction will win most of the traditional Congress support. Many in the state say emphatically that they would not have Mrs. Ghandi back at any price. But there are those who still insist that she personally was not to blame or who suggest that most of the post-emergency revelations are based on propaganda. If and when Mrs. Gandhi attempts to regain national leadership, it is widely expected that the decisive initial battles will be fought in Uttar Pradesh. Janata, which is still nervous about her legendary ability to draw crowds, is certainly helping to propagate this idea. Earlier this month Mr. Charan Singh said openly that intelligence reports had furnished him with evidence that Mrs. Gandhi was preparing a massive campaign of civil disobedience concentrated on the northern states, and rumours have been circulating for some time, possibly with a little help, that she would stir up trouble in the unions, among students, among Harijans and in areas of Hindu-Muslim conflict. But Mrs. Gandhi has said herself that she will carry her campaign into the streets and at street level, she may still have access to a much better organised party network than Janata has yet managed to build.

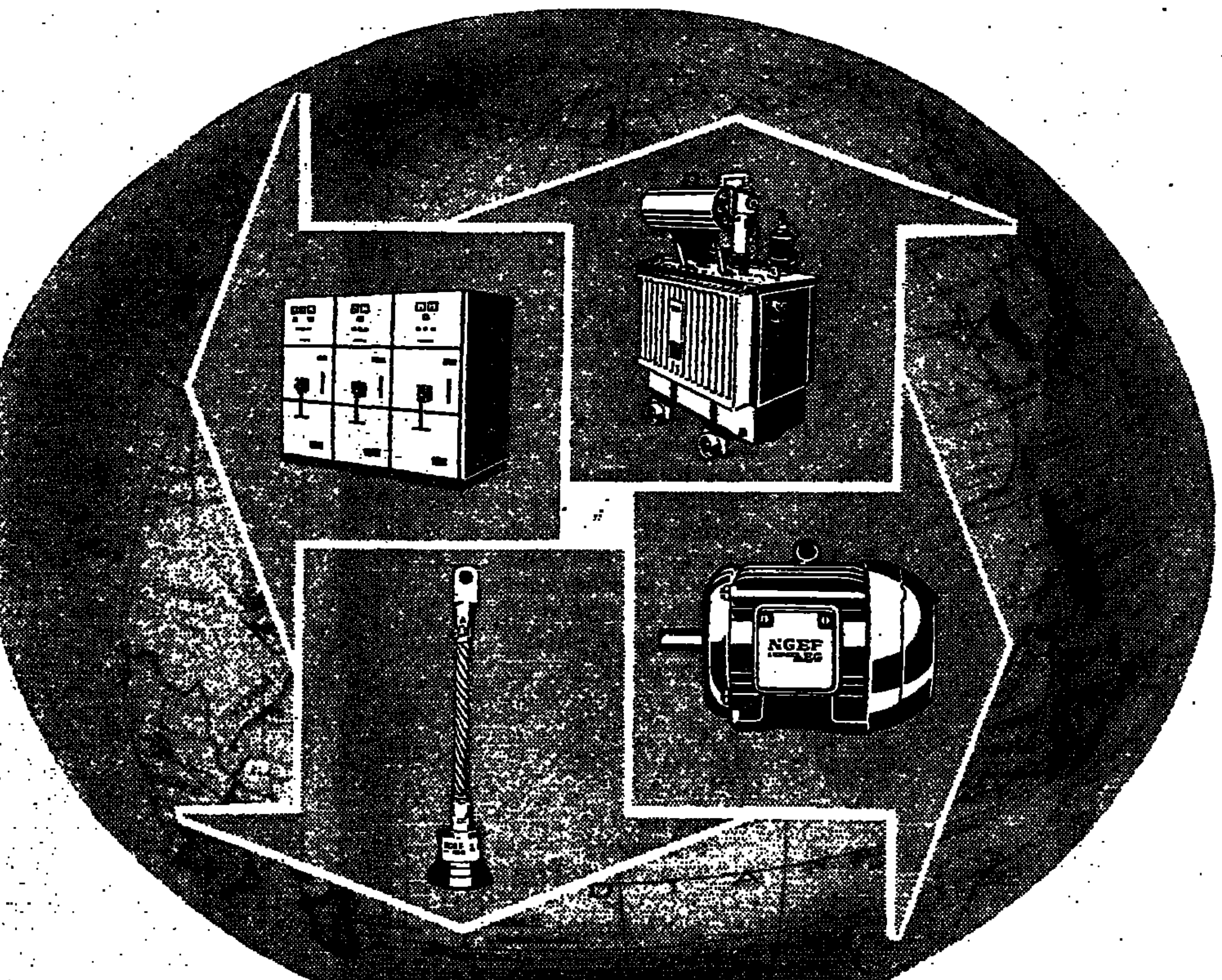
The only element in Janata with access to a tightly knit organisation reaching down to street level is the Jana Sangh, political offshoot of the Hindu-revivalist group the RSS. The RSS claims to be an apolitical, purely cultural organisation. It aims to promote awareness of and pride in ancient Hindu culture and is active both in villages and campuses. Though it appears to have enthusiastic support mainly among the middle class urban intelligentsia of the Hindi-belt states, it is not at this stage a significant force numerically or politically. But its tightly knit cadre structure, which appears to have suffered little from the group having been forced underground during the emergency, could prove useful if politically activated.

Realignment

It is still too early to assess the impact of the latest congress split on Janata. However, should there be a major realignment, as has been suggested, it would probably not have a profound effect on policy at state level, merely drawing attention further from pressing problems such as rising prices and law and order.

Apologists for the Emergency are still few and far between, but disillusion with Janata is becoming increasingly vocal, although so far mainly in the urban areas where industrial unrest, murders and violent robberies have increased markedly in recent months and where price control through the government's fair price shops has not appreciably slowed the surge in the cost of living. Few people look to the present state government for solutions, but many are listening with increasing scepticism to what is being said at the Centre.

M.v.H.



West Bengal's Communist majority government has set about tackling the State's pressing economic problems without any political fireworks. Initial targets are relatively modest, the party's leaders seem ready to enlist capitalist help, and ideology for the time being has a passive role.

West Bengal

"WE ARE inexperienced," says Dr. Ashok Mitra, Minister in charge of Finance in West Bengal's Marxist Government. "We have made mistakes, we could have shown more courage. But we are in the business of making friends. We have many enemies and we are determined to give them no excuses. We are going to make the most of these five years."

Last June Mr. Jyoti Basu led the Communist Party of India (Marxist) to victory in the state elections. The Marxists had served in 1967 and again in 1969 as partners in the state's ruling coalitions, both of which were ousted by the central government on the issue of law and order. On both occasions, they earned a reputation of lawlessness and political thuggery matched only by the equally unscrupulous state branch of the Congress Party. But whereas the Congress dirty work tended to be directed mainly against political opponents, the Marxists were associated with gheraos, violent strikes, forcible seizure of land and general aggression against the richer land owners and industrialists.

Anxious

This time, the Marxists are anxious to shed their old image. For the first time they have a majority in their own right—they hold 178 of the State's 293 seats and they intend to hold them for the full five-year term. They aim to make West Bengal a showpiece of efficient, and above all honest, Government, in the hope of winning sympathy and support in other States' rights be tackled head on.

But if the Marxists' long term aims are sweeping, their short term aims appear extremely modest, particularly in the light of the state's pressing economic problems—its more than 4m. unemployed, its declining industries and inefficient agriculture.

The Marxists came to power after campaigning on a very ambitious programme of social and economic reform. They were going to reopen the state's 200 closed factories, introduce a minimum wage based on need, cut taxes on essential commodities, provide jobs for the able-bodied and a dole for the disabled jobless, nationalise all the basic industries—in short to take some big strides towards socialism.

Of course they have done nothing of the sort. Nor were they expected to. The Indian states have so little direct access to revenue that their ability to implement election promises depends heavily on their relationship with the central government.

The CPIM's election programme was more of an ideological manifesto than an administrative blueprint, and possibly only the most radical of its supporters will judge it in these terms. Nevertheless, the Party's performance over past months has revealed an unexpected aptitude for the art of the possible. Its reluctance to take unpopular steps to curb rising prices or impinge on the privileges of the private sector, and its readiness to enter into joint ventures with the big capitalist families and multinational corporations, add a new dimension to the words "Communist" and "Marxist." "We have accepted the present reality of a capitalist system," says Mr. Basu. "Pragmatic, sensible," say his supporters approvingly; "thoroughgoing bourgeois, never worked a day in his life," say the sceptical.

In pushing through his policy of conciliation with the private sector and the central government, Mr. Basu is certain to have difficulty keeping the workers and more radical party organisers content. Many of them suffered a great deal under Mrs. Gandhi's Emergency and may feel that the new pragmatism is not what they fought for. The Marxist strategy so far has been to steer a middle course, blaming central government intransigence and opportunism for its own lack of progress, but not complaining loudly enough to provoke Delhi.

The Marxists are fully aware that the Janata Party, also new to Government, is anxious to make friends and consolidate power; they will play on this to get as much as they can, but will take care not to push their luck

Their behaviour over the Ganges waters agreement, signed in Dacca last November, is a case in point. Having protested formally to the Janata Government that the quotas fixed for India were too low and having requested that the agreement be limited to one, rather than five years, the Marxists produced the requisite loud and indignant noises for the domestic audience when their wishes were ignored and the agreement concluded, but did not fire any salvos at the centre.

"We are very unhappy about the agreement and how it will affect the port of Calcutta, but a long term scheme may improve things," says Mr. Basu. "The central government should have consulted us," adds Dr. Mitra, "but we don't want to provoke an international incident, and we can see that Bangladesh has problems."

In angling for its share of the federal budget, the Basu Government is likely to adopt a similar low-key manner, knowing that should the worst come to the worst, its support in a large sector of the unions could make trouble for the centre. At the moment, the state has direct access only to sales tax and around 20 per cent. of income and corporate tax. The rest, together with the substantial excise duties on, for example, sugar, textiles and tobacco, go direct to the Centre. The state has no authority to raise loans internationally on its own account, nor does it have any control over money supply or foreign exchange. It would like a much greater direct share of revenue and, if not freedom to act independently, at least to be consulted in discussion at national level. "The extent to which we can work with the Janata Government depends largely on Mrs. Gandhi," adds Dr. Mitra. "As long as she is a viable threat, we have more leverage."

But no matter how much leverage the state may apply, there are limits to the amount of money available and Dr. Mitra has few illusions as to the state's economic prospects for the foreseeable future.

"What we propose for 1977/78 and what we can do in the subsequent years is and will remain modest," he told the State Assembly when presenting his first budget last August. "Ours is a bankrupt state. We will therefore have to fall back on modest means and techniques. Elimination of waste and corruption will receive our closest attention; it will be our particular concern that resources earmarked for a purpose actually get spent on that purpose and are not siphoned away by operators of different hues."

On taking power, the Government immediately revised the accounts left by the outgoing regime to show a massive Rs726bn. deficit instead of a Rs40m. surplus. The August budget contained measures sufficient to raise Rs250bn. more than planned for the year by the previous government. Significantly, these measures did not hit at any particular sector and in fact, left intact concessions to certain ailing industries granted in the previous year's budget. On the contrary, the increase of sales tax on certain items, such as tea sold at the Calcutta and Siliguri auctions, will almost certainly lead to higher prices while cuts in sales tax on drugs and spare motor parts appear designed to help state-based industry.

The State's economic future clearly depends on industrial growth but industry, hit hard by political and labour unrest, shortage of power and lack of essential raw materials, has declined over the past decade. Without massive investment and substantial help from the centre, the Basu Government claims it can do little to rescue industry and ameliorate urban poverty and unemployment. In the meantime, it appears prepared to let industry go its own way with a minimum of interference so long as certain basic principles such as "a fair deal to consumers as well as the working class" are observed.

Limited

Rather than sink its limited resources into the ocean of social and economic urban problems, the Government plans to concentrate its efforts on the State's 30,000 rural villages. Apart from anything else, they will have a much more immediate and visible impact here. Initial steps include rigorous enforcement of the Minimum Wages Act as it applies to landless rural labourers, roadbuilding and irrigation schemes, provision of drinking water for each village, and expansion of education, including the opening of 1,000 new primary schools in the current fiscal year and provision of free meals to another 1m. schoolchildren (1m. of the State's 6m. schoolchildren already get free meals).

But the major effort will go into the controversial land reform programme. Land tax is to be phased out in favour of a graduated farm income tax, and redistribution of surplus land is to be more forcefully carried out. Since the introduction of the West Bengal Land Reforms Act, which limits the size of individual holdings, thousands of acres consequently defined as surplus have been tied up in legal disputes. But here too the CPIM is anxious to learn from past mistakes. Its advocacy of forcible occupation of land by the landless in 1967 and 1969 led to violent disturbances and was instrumental in splitting the coalitions ruling at the time. This time the party will stick to the legal channels, even if it takes longer, even if it provokes antagonism from the land-hungry rank and file, who are already showing signs of impatience.

If it is to complete its parliamentary term, the CPIM will have to maintain its revolutionary image for the benefit of the more militant party members while convincing the industrialists and the central government that it has abandoned for ever the militant tactics of its previous two terms in government.

So far, its attempts to achieve this delicate balancing act have surfaced as a reluctance to commit itself to positive action, which may in the end prove unacceptable to both sides. The lack of visible progress over the past six months has already produced stirrings of discontent which can only increase if the Government sticks to its present course.

If the Marxists succeed in reconciling the diverse power groups of West Bengal to five years of slow, steady, moderately-Left government, their success could influence voting trends across the subcontinent. If they fail, they may not get another chance for a very long time.

M.v.H

As the series of Five-Year plans indicates, India is wedded to the principle of central economic planning. But experience has at times proved disappointing, and the revised concept of a "rolling plan" introduced by Mr. Desai is now being digested by a somewhat startled audience.

Planning

THE CONCEPT of the "rolling plan," which is the mechanism for implementing the Janata Party's economic programme, finds no mention in the party's economic policy statement. This curious omission means the party has not endorsed the innovation suddenly sprung on the country last autumn by Mr. Morarji Desai and the Planning Commission. The silence is deliberate since the party's leaders make no secret of their displeasure over the Prime Minister's failure to explain what the concept is. The "rolling plan" idea has thrown the planning process into turmoil merely because no one, not even the hundreds of experts who occupy the Planning Commission's massive Yojna Bhavan, really know what it means.

Parliament has sought a debate on the concept in vain and some of the non-Janata States have protested at the manner in which a new idea has been foisted on them without their approval. The only assurance given by Mr. Desai is that the "rolling plan" does not mean abandonment of planning, initiated by Mr. Nehru nearly three decades ago, nor does it mean an erosion of the powers of the Planning Commission. He has justified it on the ground that it will make planning and implementation of plans more effective because, being formulated with a medium-term and long-term perspective, they will be more realistic. But details have to wait until the National Development Council holds its next meeting, hopefully in February. By then, the Planning Commission hopes to have the draft of the next "plan" ready.

This is a dangerously delayed schedule. The ill-fated Fifth Five-Year Plan, battered by the oil crises and inflation, has been terminated in its fourth year and hence the new "rolling plan" will be initiated in April, 1978. This gives the States and Central Ministries barely a month not only to digest the concept but also to begin carrying it out. Because of the severe criticism that the Government has been subjected to for its failure to launch its economic programme, perhaps it needed this time-schedule for political reasons. But common sense would have dictated that the Fifth Plan should be allowed to be completed as originally scheduled. This would have enabled the Planning Commission to take in account the recommendations the Seventh Finance Comm sion on sharing of reven between the Centre and t States, a vital matter sin resources are basic to any Pla It would also have enabled t Government to seek politic commitment to the "rolli plan" concept as well as broad objectives by the Stat on which rests the major sha of the responsibility for imp menting the Plan. Not t least, it would have given t Planning Commission anoth year to prepare what will be t basic and detailed document economic and related p grammes formulated fr results of wide-ranging ex cises that it has sensi initiated.

Tussles

As things stand, next mont National Development Cou meeting threatens to become arena for political tus between the non-Janata St on the one hand and the Cen Government and the Plann Commission on the other. "rolling plan" may hardly discussed because of ot issues that the States want raise and the debate may be bogged down in periph and possibly conceptual agreement and arguments. I parations for launching plan are hardly calculated gain the broad national census and political sup which the basic economic d ment of the Government ne And, at any rate, the first is threatened with a se resources crisis because Central Government has substantial "advance assistance" to the States du the current year, leaving much less for 1978-79.

The "rolling plan" co is not clear to anyone. Of statements are contradic they suggest both that the t tional five-year framework be retained and also that plans will be made each ye the light of perform achievements and prospects within a 15-year "perspe plan." This suggests intro

CONTINUED ON NEXT PAGE

The problem of India's untouchables ("the lowest of the low") is deeply embedded in the caste system, and seems as far from solution as ever. They have once again become the centre of political debate, but many observers see the answer not in politics but in the eradication of poverty.

The untouchables

ICE THE new Janata Party ne to power in March last r. India's 80m. or more ijans, or untouchables, have upied the centre of the itical stage. It may seem inge that the most downdden class in India should able to occupy that position. simists in India claim that ijans are so much under the mb of caste Hindus that they not vote independently.

n Delhi one frequently rs stories of Harijans being ced into their huts on poll-day to prevent them voting, being terrorised into voting the same candidates as the ninant caste in the village. the other hand other tical pundits discourse at gth on the importance of the ijan vote, and in particular the role that it played in downfall of Mrs. Gandhi. theory goes that Mrs. dhi was routed in northern ia because she lost her litional support among the ijans and the other impor- minority community, the slims.

bviously one or other of e theories is wrong. There no doubt which one Mrs. dhi thinks is wrong, othere she wouldn't be pinning hopes of making a comek on the Harijan vote which he reason why the Harijans so much in the news these s. She has a very neat argunt. The two most important ups in the Janata Party in thern India are the peasant ners and the smalltown inessmen and shopkeepers, contrast with the Congress, ch in the words of a former igress President Mr. D. K. rooah, "has always been ninated by Brahmins and the l educated." It is the sants whom the Harijans see as their enemy, partly ause the Harijans know that peasants regard them as a eat to their land, and partly because of the regular clashes over wages between peasants and the landless Harijans they employ. The Brahmins and the well educated are above the grim daily battle for survival between the small farmers and the evergrowing mass of landless Harijans. So it is easy for Mrs. Gandhi and indeed the leaders of the official Congress to portray themselves as the supporters of the Harijans in their fight against the "Janata" monster party.

Oppressed

It is too early to tell whether the Harijans will ever believe that again. If they do it will not be because of the Congress's past record. After 30 years of Congress rule the Harijans in the countryside remain oppressed by all castes. Congressmen themselves admit they have made virtually no progress in eradicating untouchability—a task, incidentally, which Mr. Morarji Desai has given himself five years to complete! During the Emergency Harijans found out just how little progress they had made. In the March election campaign in Haryana, just outside Delhi, I found Harijan after Harijan who said "We were worst hit by the Emergency because we had no one to protect us from the police."

In a village in Uttar Pradesh I asked the leader of the Harijan community what he thought of Mrs. Gandhi's allegation that atrocities against Harijans had increased since the Janata Party came to power. "It is all politics," he said, "we have always been under pressure and we always will be."

When I asked him whether land given to the Harijans under the land reforms of the Emergency was now being reclaimed by the peasant farmers he replied "What land? We have never got any land through the land reforms nor will we ever."

On that day I visited seven different villages and found the same story with minor variations. The only encouraging feature was the increasing militancy of the Harijans, in spite of the fact that they were all living in the constituency of the Home Minister, Mr. Charan Singh, who is the leader of the peasants of Western Uttar Pradesh, and has been cast by the Congress and his own enemies within the Janata Party in the role of the "Hammer of the Harijans." In one village peasants had tried to drive Harijans off some barren land which they were trying to work but the Harijans had retaliated and got the better of the day, killing one of the peasants in the battle.

In another, Harijans angrily led me through an area of the village reserved for caste Hindus and pointed out the electric wires. "Ours is the only part of the village which has not been electrified," they said. "We are going to see that we get electricity too." But the odds remain heavily against them. A highly respected Gandhian Social Worker near Hyderabad told me it was impossible to get the police to do anything about Harijans' complaints because they only acted on the orders of the politicians and they were in league with the landlords who had the money.

In rural India, just as in any other feudal society, there is a social mechanism which inevitably works against the poorest sections of society, and the Harijans certainly are that. This mechanism is even more effective in India because it has the added sanction of religion. Caste is an amazingly resilient religious institution. It even withstands conversion to other religions. In the Vijayawada Diocese of Andhra Pradesh most of the Catholics are convert Harijans but it's only very recently that the Church has dared to risk offending its influential High Caste members by ordaining Harijan priests.

Shortly after the recent cyclone I came across a group of Harijan christians sheltering in a hospital compound. They were refusing to return to their village. When I asked the priest in charge of the hospital why, he replied superciliously "Oh there are some bodies buried in their village. It's against the custom of these people to live where bodies are buried." Caste also seems to withstand education. Every Sunday the Hindustan Times runs a page or more of matrimonial advertisements. This one is typical: "Beautiful Brahmin Medico Girl for Punjabi Saraswat Brahmin."

Places

No wonder that there has been so little progress in eradicating untouchability during the last 30 years. That is not to say governments have not tried. They have reserved places in Parliament, schools, university and government services for Harijans. Educational and other qualifications are lowered for them and laws have been passed against the practice of untouchability.

There have, of course, been outstandingly successful Harijans. Mr. Jagjivan Ram, the man who nearly defeated Mr. Desai for the Prime Ministership in March, is a Harijan. India's ambassador to China and two state governors are from the Harijan caste. But all the privileges have succeeded in doing is in the words of a Commissioner for Scheduled Castes and Tribes, "Creating a vested interest in backwardness." So much so that Harijans who converted to Buddhism and Christianity to escape the stigma of their caste are now agitating to be recognised as Harijans again.

This has been angrily rejected by Mr. Jagjivan Ram who told a recent conference on Depressed Classes League, "For God's sake please don't liken scheduled castes with converts. They have deserted us. They should forget that they are scheduled castes." The privileges affect so few Harijans that they cannot afford to dilute them.

There have been other improvements. The worst excesses of untouchability have disappeared, like the caste who were so far below the rest that they couldn't go out during daylight because even the sight of them polluted caste Hindus. Some years ago I remember talking to a Harijan and a schoolteacher sitting on a charpoi or string bed in a village. The Harijan admitted that 20 years ago he wouldn't have dared to talk to the schoolmaster let alone sit on the same bed.

A young farmer in a hill village told me that this generation does not bother about untouchability. But it is in the towns and cities that untouchability is breaking down fastest. In crowded buses it is impossible to stick to the rigid caste rules, in offices you cannot object to working with a Harijan, nor on the factory floor. Urban Brahmins may not be willing to marry urban Harijans but they cannot always avoid eating with them.

The simple truth is that untouchability cannot be eradicated until poverty is defeated. As the Calcutta Statesman put it in a recent editorial "Only when the economic gap between the two halves is narrowed will Harijans be able to live in dignity."

Or as Dr. D. R. Ambedkar, the Harijan author of India's constitution put it more than 30 years ago, "The railways and factories have done more to combat untouchability than Gandhi's personal campaign. The real trouble is economic."

The problem is that the Janata party's economic policy emphasises rural investment not "railways and factories." It has been India's experience so far that rural credit ends up in the pockets of the landed not the landless. So there is a very real danger that the new Gandhian economic policy will add to the misery of the very people the Mahatma most wanted to help.

Mark Tully

Planning

CONTINUED FROM PREVIOUS PAGE

tion of flexibility in planning as well as realism in a large country subject to sudden changes in outlook for a variety of reasons, not the least of which is the weather. What some fear is that this will also lead to a system of "annual planning" since the "rolling plan" will effectively mean formulation of a new five-year (and hence a new 15-year) plan every year in the light of a changing assessment of resources, achievements and prospects with the possibility of scaling down of targets. Some even fear that this really means an abandonment of planning.

In fact, what the "rolling plan" seems to aim at is to give legitimacy to actual practice based on experience. Take the decision to terminate the Fifth Plan in its fourth year. This is not really as dramatic a decision as it may seem since the Plan had progressed unevenly with a growth rate of just 0.2 per cent. in its first year followed by 6 per cent. in the next. As harvests fluctuated, the growth rate slipped further until the Planning Commission, by some absurd reliance on computerised calculations, finally fixed the growth rate target at 4.37 per cent. in the third year. Such deviation from perspective planning actually began in the Third Plan; and, in fact, for more than a decade the country has been limping along with what are actual and *de facto* annual plans which have taken into account current constraints. The "rolling plan" seems to accept the need for realism. The danger is that long-term perspectives will be sacrificed on grounds of expediencey and excessive reliance placed on short-term programmes. If so, the "rolling plan" may turn out to be an exercise in deferring social and economic goals.

Obviously with this in mind, the Planning Commission has outlined the "reformulated objectives and restructured investment priorities" on which the strategy for the next Plan will be based. These are of greater immediate relevance. The Commission has set before itself the commendable object of determining the size of the plan on the basis of real savings in the economy instead of assuming a desired growth rate (ignoring the Janata Party's target of a 7 per cent. growth rate as a political gambit). A realistic approach to savings need not deter bold planning because of favourable factors in the form of large foreign exchange and foodgrain reserves. The moot point is the degree to which annual adjustments can be made, especially as reliable forecasts are not available and the Planning Commission has just begun to strengthen its monitoring and evaluation machinery.

Since the commitments for outlays on long-gestation projects are not variable in the short-term because of technical reasons and other schemes are important for the Janata approach to rural development, room for manoeuvre may not be all that great even within the "rolling plan" concept.

Limited

The scope for innovation will thus be limited to the wide range of schemes to be drawn up for promoting employment, an object which previous Plans generally ignored on the grounds that more jobs would be created in the normal course of implementation of schemes in the plan. It is too early to say that the Planning Commission has evolved new ideas on the subject. Area development schemes for drought-prone areas and small farmers, subsidiary occupations in animal husbandry and social welfare projects for nutrition, child care and rural educational and paramedical services have all been discussed before and some initiative taken.

It is now proposed to have a single developmental agency at the grassroots block level (the basis administrative unit for development) to control and coordinate such schemes, though doubts can arise on the feasibility of ensuring proper performance at that level in the absence of a trained cadre of administrators. The proposed change to decentralised planning is another straw in the wind which may well involve giving up the practice of earmarking central assistance for specific schemes and of enforcing priorities through the device of centrally-sponsored projects. This may further weaken implementation and actual use of resources, faults in both of which are sought to be rectified. Hopefully, the new Plan document will not only clarify conceptual doubts and set at rest fears about motives but also show how the Commission will tackle such key issues.

K.K.S.

INDIA XVIII

India's nationalised banking system is very much the instrument of the central government in the pursuit of socio-economic planning. For that reason it has begun to cast sidelong glances at the foreign banking community, whose operations are not subject to similar direction.

Banking

BANKS IN India face the problem of adjusting traditional norms for lending and other operations to the socio-economic needs of the country. In terms of the Janata Government's policies, this really means providing cheap credit to farmers and others occupied in agriculture as well as small-scale and rural industry. People in such occupations are not the most credit-worthy; lacking tangible assets, loans to them must be very much on the basis of personal assessment of their ability to repay. Local branch managers can hardly be blamed if they are unwilling to take the risk of loans being written off because they have not applied the strict rules for giving credit. Yet this is a problem that will have to be solved since otherwise it will have to be admitted that the banking system is meant for urban inhabitants and the corporate sector.

That the Reserve Bank itself is unsure of how to deal with the dilemma was indicated by the formulation of its credit policy last month. With a new Governor, Dr. I. G. Patel, in office, the Reserve Bank made no real change in credit policy and the general framework for its administration. As a gesture it made concessions for commercial banks to induce them to increase credit to small farmers. Bank lending to small farmers as direct individual loans not exceeding Rs.2,500 each from this month are eligible for refinance from the Reserve Bank at the current bank rate of nine per cent. Banks are required not to charge more than 11 per cent. on such loans irrespective of whether or not refinance is obtained from the Reserve Bank. The refinance will be limited to 50 per cent. of the total advances to small farmers. A similar scheme has been announced for credit to small industry.

This "small farmers' window," as the concession has been called, is hardly a revolutionary step and the corporate sector's share of bank credit—which has been severely restricted for the past year by the monetary authorities to contain the rise in money supply—can be expected to remain untouched. If anything, this heightens the dilemma of the Reserve Bank and the banking sector. It acknowledges the need to increase the share of total credit for the "priority" sectors as defined by the Janata Party but does not see any way out if banking is to be carried on traditionally. These will have to be changed, and there is a widespread feeling that the banking system must now take stock of its position in the light of socio-economic objectives without impairing the health of banks. This will have to be done by the Reserve Bank, whose autonomy—greatly eroded during Mrs. Gandhi's emergency rule—has been restored and at the head of which is a governor known for his integrity, independent thinking and distinction as an economist. The problem is probably uppermost in Dr. Patel's mind and the contributions he has made so far are possibly due to the fact that he has to get rid of the heritage of the emergency. The banks have had a trusteeship role to carry out ever since the major units were nationalised; it is the Reserve Bank's job to see that they look after the interests of millions of depositors as well as contribute to development.

Earmark

Such a role has been thrust on the banks not only because of nationalisation in 1969 but also by official and parliamentary decisions. For instance, the Parliamentary Committee for Scheduled Castes and Tribes (the former untouchables) recommended in its report, published in March 1976, that the nationalised banks should earmark at least 20 per cent. of their funds for the credit needs of this section of the population. On May 24, 1977, the new governor announced a scheme which aimed at bringing bank credit within the means of the "weaker sections," with special stress on the needs of the 40 per cent. segment below the poverty line. Under the scheme, banks are required to ensure that at least two-thirds of the loans given by them under the "differential interest rate" scheme are extended through their rural or semi-urban branches and that at least a third of these loans go to the Scheduled Castes and Tribes.

The Janata Party's economic policy statement requires all commercial banks to use their entire deposits collected from a rural area to finance its development. This is intended to prevent funds going to industrialisation and services in urban areas. It is taken for granted that most of the funds for the party's policy of laying stress on rural development will be provided by the banks. Under the proposed dispensation, the organised sector in industry is expected to rely increasingly on its internal resources and reduce dependence on bank finance. Again there is the unspelt directive that banks must change their traditional method of functioning. It will not be unreasonable for them to ask that they are not confronted with competing demands from the rural and urban areas.

Even if they are not, they face major hurdles in the form of restructuring and reorganisation. Bank staff posted to rural and semi-urban areas are new not only to their physical environment but also to their functions and tasks, and most of them hesitate to take the initiative in identifying bankable projects. A new, well-trained cadre for this purpose is essential. On them will also rest the task of educating rural communities to take to banking; hardly any of the millions of illiterate farmers are even aware that banks can provide the facilities they need. This is one of the reasons why rich, literate and influential landlords have been able to use bank finance to tighten their grip on the rural poor.

Reviewing

The fact is that rural banking has a long way to go before it becomes a force for implementing socio-economic policies. A Reserve Bank committee is now reviewing the progress made by regional rural banks in the light of the objectives for which they were set up, to indicate their precise role in the rural credit structure and to recommend the scope, methods and procedures of their functioning. Establishment of the regional rural banks was a political decision, but their economic justification has been provided by a committee headed by the outgoing Reserve Bank governor, Mr. N. Narasimhan. He said recently that the rural banks were conceived to combine the strong points of both the co-operative and commercial banks, eliminating the weaknesses of both. Hopefully, rural banks would combine the local base and rural touch of the co-operatives and the organisational efficiency and financial strength of the commercial banking sector.

Yet even Mr. Narasimhan felt the need for caution. The Congress Government's apparently off-the-cuff decision to establish 50 regional rural banks was diluted to setting up about six on an experimental basis, but the emergency intervened and the rural banks drive was pushed with the result that by last June 48 rural banks with 621 offices were opened within 18 months. At the end of March, 1977 their deposits amounted to Rs.120m. and advances to Rs.126m., a credit deposit ratio of 123 per cent.

This hardly makes them viable and the new committee must be tempted to deal with the regional banks as unwanted babies of the Emergency and wind them up. Yet the performance of the co-operatives in the task of providing credit to farmers has been so dismal that the entry of commercial banks cannot but be encouraged. Their entry into the rural field was made reluctantly following nationalisation. But having been goaded to come in, their record has not been unimpressive. Direct finance provided by commercial banks to agriculture increased from a mere Rs.540m. in 1969 to more than Rs.1bn. in 1976, an increase not matched by credit co-operatives. The fear is that it is the more affluent farmer who has bagged most of this, and the real problem facing the banks is not only to change their traditional methods of operation but also to ensure that development finance they provide goes to the section who need it most.

MONEY SUPPLY
(Rs. bn; end of financial year)

	1972-73	1973-74	1974-75	1975-76	1976-77*
Money supply	94.13	108.48	115.57	127.59	151.59
of which: currency with the public	54.43	63.36	63.78	67.39	79.03
demand deposits	39.18	44.67	51.01	59.67	71.56
Bank credit†	56.04	68.22	81.72	102.52	125.10

* Provisional. † Scheduled commercial banks. Source: Reserve Bank of India Bulletin.

Where do the foreign banks fit in this scheme of things? If Indian commercial banks are reluctant to enter the villages, the dozen foreign banks remain firmly entrenched in metropoliton centres and larger cities where their 130 branches thrive.

By their nature, foreign banks are concerned mainly with transactions involving business and trade abroad and are thriving because of the boom in exports, although their functioning is strictly controlled by the central bank. At the moment they are under attack not only for studiously avoiding the village but also discouraging the small depositor from their urban branches—practices considered unethical under the code prescribed by the Indian Banks' Association. They are doing this mainly because mechanisation of operations makes small depositors a burden—thereby shedding employees at a time when the Government wants more employment opportunities created.

As one comentator points out, they are doing this while "taking the cream of business in terms of deposits, advances and foreign exchange transactions." Foreign banks can hardly take on the altruistic role which is virtually being imposed on Indian nationalised banks, but there is some justice in the demand that they should at least make larger investments of the "social" kind through purchase of bonds issued by land mortgage banks, housing boards, rural electrification boards and the like. The same person says: "By freeing the foreign banks from pre-emption of resources of social banking on the scale to which Indian banks have been rightly subjected, the latter are in fact providing a sort of subsidy to the former which is being siphoned out by way of profit remittances. A change of perspective with respect to the role of foreign banks is required in consonance with the new thinking of the Government."

K.K.S

Widely differing views are held about whether India welcomes foreign investment or not. There is as yet no clear answer to the question, although there is no doubt that foreign companies are having to adapt to new controls and restrictions.

Foreign investment

REIGN INVESTMENT are words sufficient to narrow eyes of ideologues of all 's in India, the easiest scape-t for any of the country's blems and the target of icism of all parties. Such is emotion that the two words use that a much-needed sober ate on a vital issue has never n held either within or out-the Government. The re-is confusion. This is ected as much in statements potential foreign investors as ndian entrepreneurs and offi-spokesmen. As long ago as 1977 Mr. W. Haferkamp, e-President of the European amission, announced that e prospects of foreign in-ment in India are good and o not see the Foreign Ex-nge Regulation Act (FERA) a hurdle." A few months r, the Japanese Ambassador, Takashi Suzuki, said "re-ctive foreign investment cies of the Indian Govern-nt and lack of so-called active climate for private ital investment" had con-uted to sluggishness of ate Japanese investment.

ome time ago, Sir Rowland ght, chairman of Imperial mical Industries (ICI), e of India's economic and istrial situation as being ry encouraging for foreign estment" and added that her formance had "created in-ational confidence in India's re prospects." Mr. George nandes, Ministry of Indus-returned recently from ope and announced that st German bankers had red to invest $1bn. in India the next two years at the est interest rate of 7.5 per t. Mr. Biju Patnaik, Minister Steel, is furiously propagat-his view that since Indian ources are inadequate for ing up new steel and alu-a plants, foreign parties uld be welcomed to develop m. Apart from foreign Gov-ments, many multi-nationals shown interest and made crete proposals for three h shore-based plants. Yet, le announcing the Janata ty's economic policy a couple months ago, Mr. Madhu aye, its influential general etary, said: "I think we ld make it clear once and all that India no longer wel-es foreign investment. ce, all talk of improving the stment climate should end."

npressive

far as private Indian stry is concerned, it has the Government to opt more open-door policy on gn investment which will tate a substantially larger of private foreign capital and ultimately replace "tied foreign aid" (from Governments) as the instrument for spurring industrial growth. Simultaneously, it says, FERA should be relaxed and implemented "flexibly," suggesting there is no need for an "inferiority complex" about foreign capital. "The market for foreign capital is competitive. If we are unable to attract capital by offering suitable incentives and concessions, it will move to other countries offering better terms." A study made by the Indian Chamber of Commerce says if the foreign investment flow rate is pushed up, it will lead to improvement in capacity utilisation in industries and creation of fresh capacity in key sectors. It estimates that a one per cent. increase in investment leads to a five per cent. rise in capacity utilisation. It concludes that the Government's highly selective foreign investment policy, coupled with FERA, will ensure that investors keep out. Said a senior executive of a major multinational that has decided to wind up its business in India: "The truth is that we came in when foreign investment was welcomed with open arms. With FERA, it is being strangled. We cannot co-exist with FERA."

Where do all these contradictory statements and assessments leave us? Do foreign investors want to operate in India? Does India want them? There is no straight answer. When foreign investment entered without restriction and found itself able to explore (exploit, its critics would say), such low investment, heavy profit sectors as toothpaste and soap, it was because Mr. Nehru believed that India's future lay in quick industrialisation and this would be accelerated with the help of foreigners. That was their heyday and it has now come to an end. No foreign company can complain that it has got an unfair deal. There have never been unreasonable restrictions on repatriation of profits and royalties, although India's slow bureaucratic procedures have meant avoidable and irritating delays.

There must be some reason for the willingness of more than 90 per cent. of foreign companies to abide by FERA requirement to dilute their holdings and "Indianise" their capital base. As many have said, a 40 per cent. holding does not necessarily mean losing control of policy and Indian participation provides resources for expansion. And, after all, India has such a vast, growing market that even International Business Machines, the classic case of the multinational that opted to close shop rather than comply with Indian requirements for dilution of foreign equity, fought hard and long to remain. It was its global policy to operate only on a 100 per cent. foreign ownership basis and repercussions on positions it had taken elsewhere (including the U.S. where it is fighting a court case on a related issue) that forced it reluctantly to quit India.

Open-door

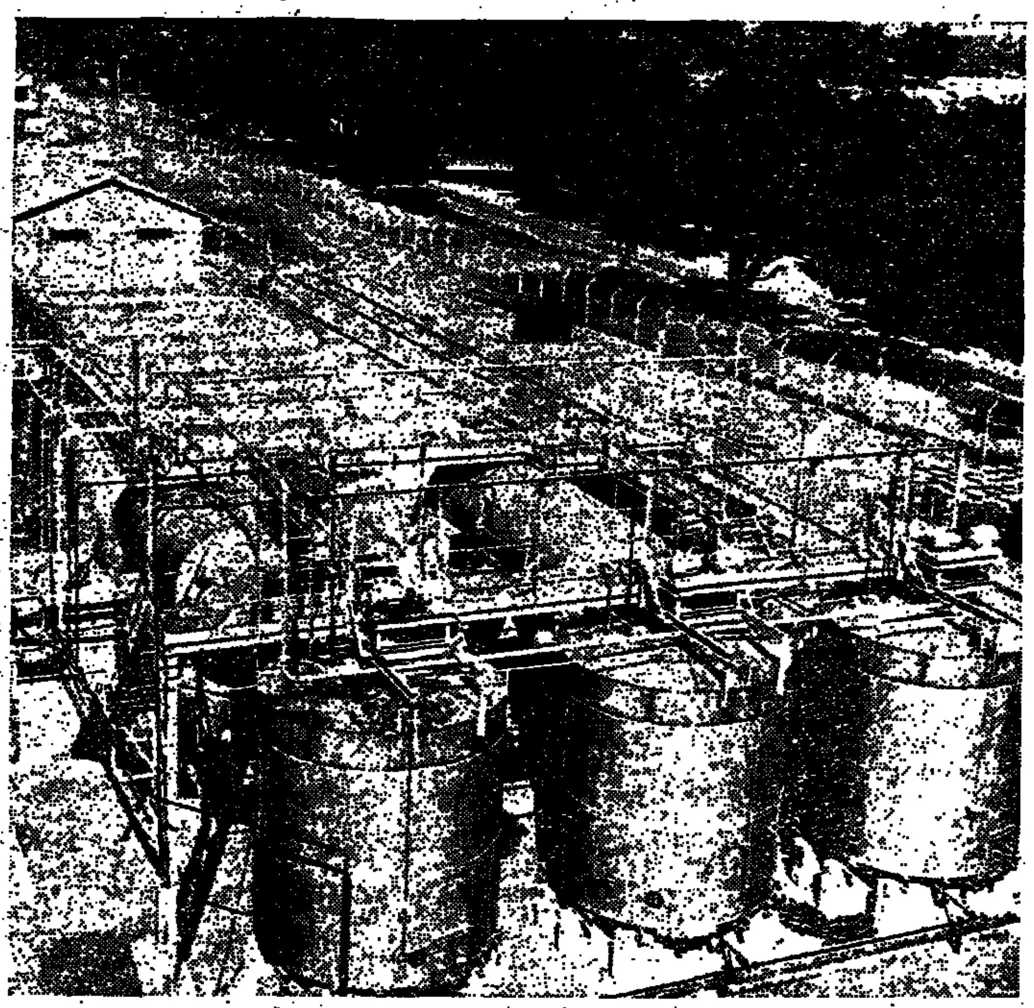
Foreign investment in India, despite the lack of a clear and coherent official statement, must reconcile itself to controls and restrictions: if it is to come, it must come on India's terms. Politics and economics both dictate this. It would be impossible for any Indian Government to allow a multinational unrestricted operation for political reasons and even private industry will concede that this is no longer needed. FERA is not the result of a whim: it was enacted after watching the massive outflow of foreign exchange in the form of profits by a majority of companies which had made small capital investments in sectors where Indians are equally capable of operating. Despite the horror stories which followed the IBM and Coca Cola cases, FERA is being administered flexibly and it is not so long ago that a half-way point (51 per cent. foreign ownership) was permitted for companies which could present an acceptable package of imports of "high technology" which would otherwise not be available in India and an export commitment that the country still needs despite the deceptive foreign exchange reserves figures.

Foreign investment has, for some years now, been limited to technological collaboration: an impressive list is issued quarterly by the Ministry of Industry and the number seems to grow, even though financial participation is rare and always in a minority. Foreign companies are still apparently willing to sell their knowhow to India on its own terms and this must, therefore, be a profitable operation for them. Willy nilly, it is foreign firms which have adapted themselves to Indian terms and for every grumbler protesting against India's "harsh" requirements, there are many more waiting in the queue to come in and collaborate either in the country or, increasingly, as partners to Indian firms in third countries. It is a sign of things to come that the Government has decided that Indian companies can be allowed, on a case-by-case basis and if accepted by the country concerned, to take on a majority share in a joint venture abroad. The circle is complete.

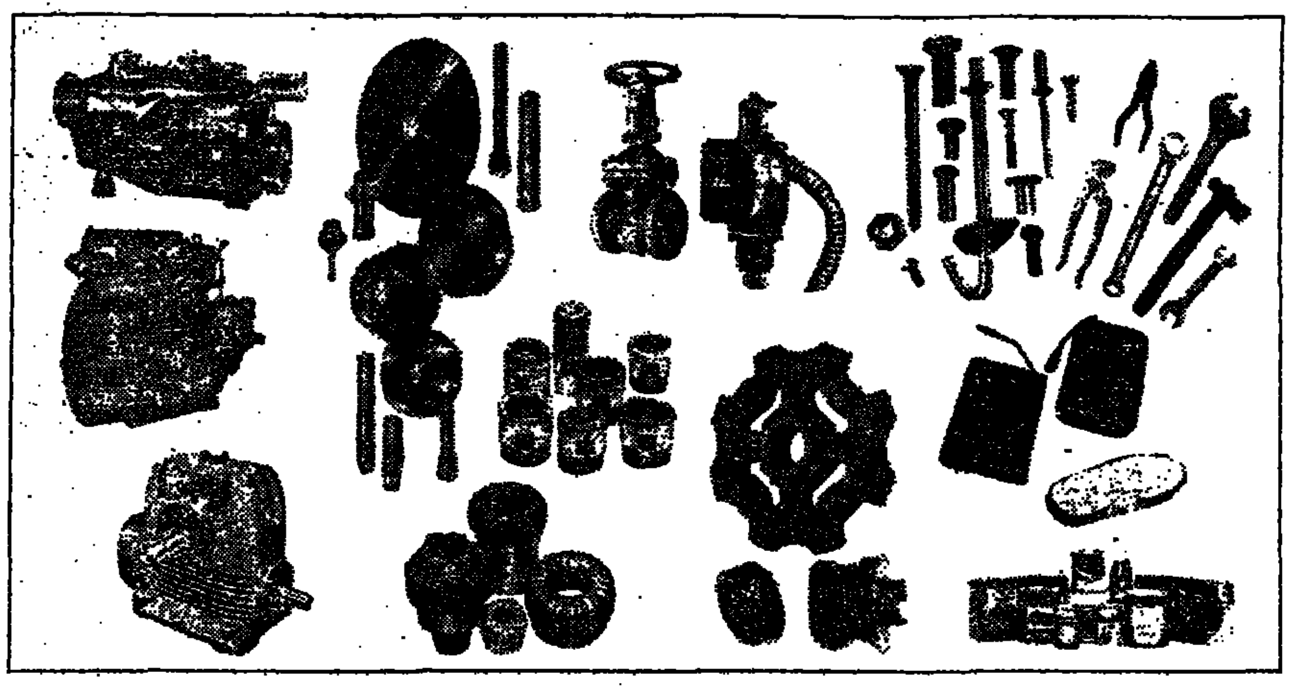
On March 31 1977 there were 482 multinationals or their branches operating in India. Of these, as many as 319 were British-based while the U.S. accounted for 88. Assets of all branches of foreign companies at the end of 1974 (the latest figures available) amounted to Rs.17.9bn. (about £1.2bn.) of which the British and U.S companies accounted for Rs12.4bn. Of the total, as many as 163 were classified as being in commerce while another 87 operated in the "business services" field while the rest functioned in the manufacturing field. The figures for Indian subsidiaries of foreign companies are comparable. A study in 1973-74 showed that profits before tax of 180 subsidiaries amounted to Rs.1.9bn. and the ratio of profits before tax to assets and turnover was 14.3 per cent. and 9.3 per cent. respectively. A recent study on the performance of Indian companies with foreign holdings in the context of guidelines issued by the Government for dilution of equity by foreign companies shows that the per unit realisation from non-traditional manufacture in most cases was less than the realisation from the Indian market. Many had not fulfilled the export obligation they had taken on.

A large majority of foreign companies has agreed to FERA terms and organisations like Phillips, Bayer, Indian Aluminium, Union Carbide, Hindustan Lever and India Tobacco have reduced their foreign holdings as a result of expansion and diversification of business. Others like Metal Box, Brooke Bond and General Electric are in the process of doing so and in the last three years about 40 foreign concerns have entered the capital market through the process of additional equity issue or disinvestment of shares held by parent companies. Some foreign firms have diluted foreign holdings by merger. Only 36 have so far opted to cease operations.

K.K.S.



The Indian Explosives Ltd. blasting explosives plant at Gornia, Bihar. IEL is a joint subsidiary company of ICI and the Indian Government.



Indian engineers in the control room at the NOCIC petrochemical plant near Bombay.

India has only recently been blessed with the discovery of its own indigenous oil supplies. On indications so far, they ought to reduce the import bill substantially, and there is the possibility of future self-sufficiency.

The oil industry

CRUDE OIL imports in 1978 will be reduced by at least 1m. tonnes even though demand by the refineries is expected to rise to nearly 30m. tonnes, an increase of something like 5 per cent. over the past year. That India is able to cut costly imports is symbolic of the success story of oil exploration. It has enabled the country to push up crude production from around 6m. tonnes just a couple of years ago to 11m. tonnes in 1977. Expectations are that production will rise to around 13m. tonnes this year; if exploration and production wells are drilled with the same success of the past few years, even this might be exceeded.

These successes have been achieved by the Government-owned Oil and Natural Gas Commission on the western continental shelf, notably in the rich offshore Bombay High oilfield. Commercial production began on May 21, 1976 within 27 months of the first oil strike in February 1974, which must be close to a world record. Oil has also been struck in two offshore tracts nearby — in the North Bassein and Alibag fields—and commercial production from these will begin soon. Exploration is continuing in other established fields on the western continental shelf as well as in other offshore basins considered potentially oil-bearing. With a bit of luck, the country could be self-sufficient some time in the next decade although demand for oil is growing and, as of now, production estimates for 1981 are 19m. tonnes, leaving a gap of 13m. tonnes which will have to be imported.

Priority

With a high-investment, high-risk industry like oil, much will depend on how much priority is attached to exploration and investment. Because relations with the Arabs and Iran are good and supplies are readily available on attractive deferred payment terms, the temptation is to put scarce resources to use in other less capital intensive projects which will lead to more employment opportunities. So far, oil remains on the priority list despite the relative ease with which it can be imported since foreign exchange constraints could develop again, and also because of its strategic importance. Yet India's energy requirements can be met more easily with coal, which is available in abundance, and there is pressure on the Government to switch to this source.

This cannot be dismissed easily because of the heavy investments in offshore exploration and production. The total cost of developing the Bombay High and North Bassein oilfields has been estimated at Rs.8.54bn. (about £600m.). This is to be carried out in five phases by the early 1980s and the Government has approved an investment so far of Rs.6.84bn. for the first three phases. Part of this is coming from the World Bank which is helping to finance the 215 km. submarine dual pipeline to carry crude and natural gas from the two fields to Uran, from where smaller pipelines will transport them to Trombay for processing and storage. The project must be completed by May 1978 if the investment is to pay off since its purpose is to ensure uninterrupted supplies during the monsoon. At present crude oil is stored in a large tanker anchored at Bombay High while all associated gas is flared.

The pipeline project is part of Phase III which will be implemented by March 1979 and will involve installation of production platforms and drilling of 16 production wells at Bombay High and four at North Bassein. After that, crude production will reach 120.000 barrels a day or 6m. tonnes annually. The target at the end of Phase V is 10m. tonnes a year. So far, Rs.1.35bn. has been spent on drilling and production. This has led to the drilling of 12 of 20 production wells in the northern part of Bombay High to create an annual potential of 4m. tonnes. Current production is 60.000 barrels a day, or roughly 3m. tonnes a year.

The new discovery at Alibag, potentially as big as Bombay High, will require investments of the same dimensions. Firm estimates will be made when the field is delineated after drilling of further appraisal wells but the first strike has shown a high yield of 1.475 barrels a day and a gas potential of 250.000 cubic metres a day. The strike came after the Commission had encountered a series of dry wells in the region over a period of nearly 18 months and demonstrates the risky nature of offshore exploration. Yet this activity must continue since established reserves both offshore and onshore give promise of self-sufficiency. To achieve this, the reserves must be explored and exploited in other basins such as Kutch, Bengal, Godavari and Cauvery. Foreign groups given concessions there have not had the same luck as the Commission, which may well find it will have to expand its operations to all potentially promising structures. It is gearing itself for this and has plans to explore the Tapti and Kutch areas. But further exploration will depend on availability of funds.

This is one reason for the shift in emphasis to onshore locations. ONGC and Oil India (jointly owned by Burmah and the Indian Government, but soon to be fully taken over by the latter) produce around 7m. tonnes from oilfields in Gujarat and in northeast India, mainly Assam. But exploration has been extended to almost all other parts of the country, although successes have been limited to other structures in northeast India which are not easily accessible and where the establishment of the necessary infrastructure will also be expensive. Secondary recovery measures are being used in established onshore fields, but higher production will eventually depend on finding and developing new oil-bearing areas. Foreign investment would stimulate this effort but policy so far is that, at least on the land surface of India, this will not be permitted. The issue is still being debated inside the Petroleum Ministry and could be reopened.

Refining, on the other hand, is to remain in Indian hands. The past couple of years have seen the successful takeover of the three main foreign owned refineries of Burmah Shell, EXXON and Caltex and the limited foreign participation which remains is in the minority holdings by the National Iranian Oil Company in Madras Refineries and Phillips Petroleum in the Cochin refinery. The refining business has been restructured with some difficulty. Sensibly, the move to create just one monolith has been rejected and, with the establishment of Bharat Refineries to take over former British interests and Hindustan Petroleum to handle former U.S. interests, there will be much-needed competition even among Government-owned refineries.

Control

The giant remains Indian Oil Corporation, the largest company in India, which owns the Gauhati, Barauni, Gujarat and Haldia refineries and will soon add the six million tonne Mathura refinery to its empire and thus control more than 70 per cent. of India's total refining capacity. This is at present about 30m. tonnes annually. Apart from the new unit planned at Mathura, the Bongaigaon refinery will come on stream b the middle of 1978 while Haldia Gujarat and Barauni are bein expanded. Expansion of th former foreign-owned refinerie is on the cards since this can b done with comparatively sma investments and because the can be modified to process th high-wax, low-sulphur crud from Bombay High.

Until self-sufficiency achieved, and this remains distant goal despite offsho finds, India remains depende on the Middle East. The mai suppliers are Iran and Ira although the UAE and Sau Arabia are expected to increa their share. Political relatio apart, India's success in shari in the industrialisation almost all the oil-rich countri makes it easy not only to obta crude but also to finance pu chases through trade. India import bill in 1977 was a hea Rs.140bn., although a large pa of this is not reflected in tra figures because of oil cred and deferred payment arran ments. Since 1977, Russia h also stepped into the pictu with supplies of 1.5m. tonnes crude and another 1m. tonnes middle distillates, main kerosene. But the only lo term arrangements are w Iraq which has promised 144 tonnes in 10 years and this w help to meet the needs of t Mathura unit and the expand Gujarat refinery. By then, t Government hopes it will need imports any more.

K.K.

هكذا من الأجل

The Indian machine tool industry, in the shape of Hindustan Machine Tools, is a proud example of industrial achievement in the subcontinent. But it relies heavily on Government contracts, and is having to adapt to the policies of the Janata regime.

Machine tools

'EW MILES outside Banga- the Hindustan Machine ls (HMT) industrial estate ipies 20 acres. More than 00 live and work there— er in compact rows of low m-coloured bungalows with odd cow tethered outside, or rillas surrounded by trees lawns. The estate has its cinema, co-operative store, t, post office, police station. nming pool, sports stadium, utive club—even a fleet of s which make a daily trip Bangalore.

he estate is one of the more ible signs of three decades emarkable progress which seen HMT grow from a 400- producer of precision es into a major public oration with 19 factories loying more than 20,000— a major producer of more 70 types of machine tools, subsidiary companies pro- ng watches, tractors, elec- lamps, and printing presses.

Part of Hindustan Machine Tools' plant at Bangalore in Mysore.

MT is one of the brightest s in India's industrialisation ramme — both in light neering and in public sector agement. Last year total s rose from Rs.907m. in to Rrs.935m., with machine s accounting for Rs.519m. 496m.) of which Rs.57m. 41m.) were exports. Total profit after tax fell to 7m. from Rs.58m., mainly use of higher raw material s and interest charges. Pro- tion rose by a satisfactory er cent.

'roduction for the domestic ket constitutes about 90 per of HMT's output—about going to the defence in- try and the rest to car and way manufacture and other ors of industry. Some of the cision lathes, mini-chucker ls, milling and grinding hines are technologically ophisticated, while others are highly advanced and represent a skilled work-force and a degree of scientific competence that has taken years to build. Thus the post-election winds from Delhi indicating a shift away from industrialisation, have struck a chill in HMT headquarters in Bangalore.

As a highly profitable venture, HMT has greatly reduced its dependence on direct Government finance but still relies heavily on Government contracts. The main hope for future growth, as seen by HMT chairman, Dr. S. M. Patil, lies in convincing the Janata Government that development needs a certain amount of sophisticated engineering—and success in exports.

In this respect last year's 40 per cent. growth in experts was highly encouraging, but not as significant as might appear, given the low base. Moreover, much of the growth was due to a Rs.16m. order from Poland—a country not regarded as a potential growth area. Promotion of exports—both products and technology—is being directed largely at developing countries like Indonesia, South Korea, Kenya, Nigeria, Algeria and the Gulf area. Exports to OPEC countries rose to Rs.13.4m. last year against Rs.570,000 the year before.

Conditions

India cannot compete with Europe and North America in terms of technology and quality, but in the developing world these factors are less important than lower costs and a staff easily adaptable to Third World conditions, says Dr. Patil.

India's army of scientists and technicians, third only to those of the U.S. and Russia in numbers, is still about half of theirs in cost, he adds. So the emphasis in international marketing is to be shifted from products to projects. New HMT offices have been set up in Jakarta, Kuwait and Nairobi. The company is co-operating in projects to set up machine tool plants in Sri Lanka, the Philippines and Nigeria, with similar ventures in Iran, Iraq and Algeria (a $12m. spin-off contract from one of those is close to signature). Further project contracts should lead to additional product orders and HMT hopes to export between 20 and 25 per cent. of its output by 1980-81.

At home prospects are not so rosy—an annual sales growth target of 10 per cent. has been set. But production targets for the sixth Five-Year Plan 1979-84 show a significant change of direction in the company's development. Machine tool output is to rise in annual increments of only Rs.30m. from Rs.640m. to Rs.760m., offset by a more rapid increase in tractor production from Rs.320m. to Rs.530m. and a marked increase in production of lamps (currently Rs.3m. a year) to Rs.130m. by the end of the plan, and of watches (currently Rs.170m.) to Rs.729m.

Meantime, there will be a process of adjustment as the company management learns to live with Janata and the Government — and, as Dr. Patil puts it "finds its feet." Some areas of conflict are only to be expected between a government which swept to power on a wave of anti-Emergency sentiment and a chairman who less than 18 months ago said of the Emergency: "The whole nation owes a great debt of gratitude to Prime Minister Mrs. Gandhi for her supreme courage and vision in devising and implementing with iron will novel and unprecedented measures to tackle an almost hopeless situation. One cannot but shudder at the idea of what could have befallen our country but for the Declaration of Emergency."

But flexibilty is all. Public management, says Dr. Patil, has to be more diplomatic than in the private sector, so as to insulate the workforce from Government interference. "I'm a technocrat, not a politician." The chairman's office contains, prominently displayed, a large wreathed photograph of the Mahatma and a recent shot of a beaming Dr. Patil shaking hands with Prime Minister Mr. Morarji Desai. And one of the latest models in the HMT range of watches is called Janata.

M.v.H.

India has been making a major effort to apply the indigenous advantages of a comparatively skilled and low cost labour force to give the country a competitive export edge. But it has been hard going and foreign involvement is needed.

Free trade zone

A'S free trade zone a few s beyond Bombay Airport, nly one in the world where action is limited to a single of products, was set up two main purposes in . The first was to develop iversified electronics in- y to bridge the gap en the high technology of 's nuclear programme and lack of sophistication of stic radio and television facturing. That required articipation of foreign com- s who could only be ted by exemptions from revalling limits on foreign holding.

second aim was to boost ts in an area with high h potential and where had comparative advant- costs and skills by draw- the marketing outlets of tional companies. On scores success has been expectations — and cer- below what the facilities er and the experience of firms already established suggest. But Mr. S. pal, the chief executive for Santa Cruz Electronics t Processing Zone (SEEPZ) to give it its full title, is confident that the pace of expansion will pick up strongly by the early 1980's.

Total exports from the zone this year are likely to be $9m. which is almost a third of India's overseas sales in electronics but well short of the target of $20m. envisaged when the Zone was established in 1973. By comparison, Taiwan's export zone is grossing $500m., South Korea's $110m. and Kuala Lumpur's $44m.

Slowdown

The worldwide slowdown in the electronics industry—particularly after the high hopes of a few years ago—has had an adverse impact on SEEPZ. More important is that the Zone has not been able to shrug off India's reputation for red tape and bureaucratic delays—unjustified in the case of SEEPZ —but which has been a psychological barrier to potential investors.

Over half the available space has been allocated. But with the exception of Burroughs Corporation of the U.S. which is involved with Tata's on a 50/50 basis in a $6-7m. investment in making computer peripherals, the Zone has yet to attract the major international companies in the electronics industry which would provide a welcome boost to its status. Mr. Rajgopal sees no immediate hope of this. He pins his belief on the Zone's future expansion in what he sees as India's unique ability to provide at low cost the manual skills required for areas of high technology such asi nstrumentation.

Foreign companies already established generally re-export components to their domestic market retaining their own brand name. Intersil of the U.S., however, making integrated circuits and watch modules, sends much of its output to Singapore for further testing. Soshin Electric of Japan, manufacturing mica capacitors, declares it is "very satisfied" with the quality.

At about $27 a month for a train assembly line worker, wages for the 2,000 employees on the site (nearly all of whom are women) are low—in some cases below the minimum statutory wage in Maharashtra. Labour troubles have been negligible. Unlike Malaysia, for instance, where foreign companies provide their own middle management at high expatriate salaries, Indian executives take over this role and draw only $200 a month.

Apart from low labour costs, SEEPZ offers most of the incentives common to export zones—duty free imports of machinery and raw materials, easy access to the airport and harbour, rapid turn-around time, and minimal restrictions on the repatriation of profits and capital. An additional advantage lies in the back up from India's broad industrial base which means that many basic materials can be obtained locally.

Unlike most other export zones, however, foreign firms have to pay domestic corporate tax which effectively amounts to about 36 per cent. for new ventures during the first five years of operation.

Because of double taxation arrangements that India has with a large number of countries, Mr. Rajgopal claims that this has not proved a disincentive to foreign companies.

In theory the Indian Government permits a 100 per cent. foreign equity holding, though the maximum so far has been 74 per cent. negotiated last September when Ibaraki of Japan were licensed to manufacture ceramic statite. The Government also requires a minimum of 30 per cent. value added in the Zone, though the average among industries in operation is 61 per cent. This is in line with the attempt to attract labour-intensive industries—though the advantages in employment to the Indian economy are somewhat offset by the low level of wages.

Among large companies who have been showing an interest in the zone but made no commitment are Mostek of California, Texas Instruments and Thorn Electricals. Thorn are contemplating the manufacture of components for colour television sets. As yet the zone has no international entertainment equipment manufacturers.

Stringent

Sales to the domestic market are not permitted except under most stringent conditions. This is a major deterrent to Indian companies to set up on their own as domestic sales are the most profitable side of their business because of the protection the receive. Saha—the Indian company already established in the zone in partnership with Soshin, which guarantees orders from Japan for the joint venture—is establishing a new plant on its own outside the zone in Bombay. It is counting on exporting 50 per cent. of its output, but nonetheless concludes that the cash incentives the Government grants exporters and the profits from home sales far outweigh the freedom from bothersome Government regulations that can be found in the zone. With Indian companies holding back, the success of SEEPZ thus depends on attracting major foreign companies bringing with them their own marketing outlets.

D.H.

India is finding a niche for itself in the electronics business, producing not only equipment from computers to pocket calculators for the domestic market, but also showing that it can take export business as well.

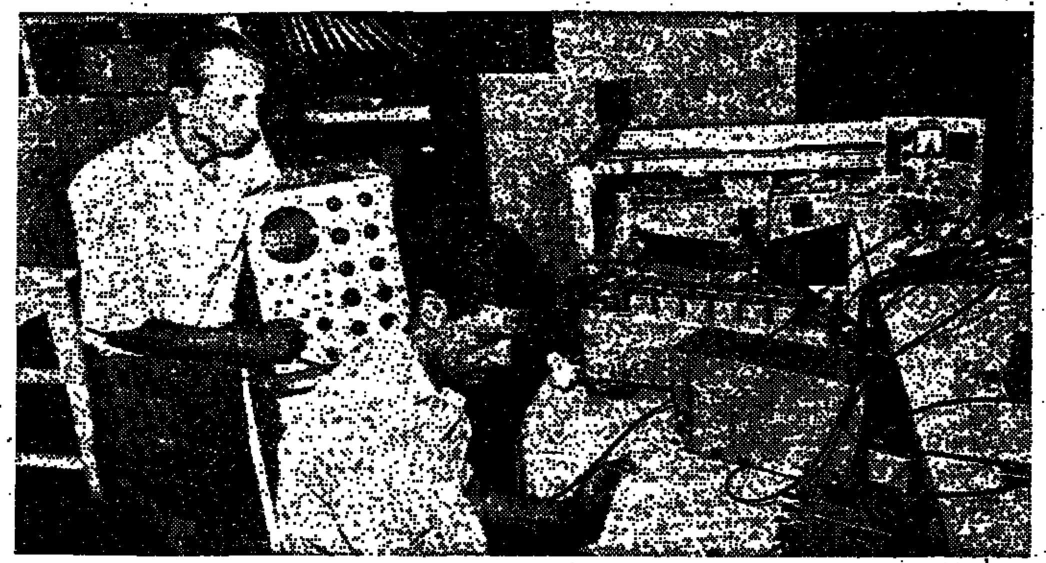
Electronics

INDIA HAS taken IBM's withdrawal from the country in its stride. Not only has the public sector Computer Maintenance Corporation begun preparations for taking over what it concedes is the vital job of keeping IBM's 150-odd computers going, International Computers India is to gear itself to produce 200 medium-range computers over the next five years, going some way to meeting the demand for about 250 of these in this period. These are needed by major industrial organisations to enable them to meet export and other commitments without job displacement, something no longer feared because of the rapid development of electronics.

But computers are only the more dramatic part of the electronics success story. Recently, the Electronic Corporation and Instrumentation Limited agreed to pool their expertise to offer computer-based data acquisition systems to process industries, particularly power plants, on a turnkey basis. With this, it is expected that the country's requirements of computer based systems for real-time applications in process industries will be met indigenously. It will also minimise the "down time" of units and increase the periods of operation. Other developments are India's own satellite programme, establishment of electronics, telephone exchanges and the like. But the main strides have been made in consumer electronics and exports.

Total production of electronics items rose from Rs.3.6bn. (about £23m.) in 1975 to Rs.4.1bn. (about £27m.) in value, an increase of about 13 per cent. Of this consumer electronics registered the highest growth (25 per cent.) followed by professional electronics items (10 per cent.) while the components sector crawled by with just 7 per cent. Private industry dominates electronics, accounting for nearly 90 per cent. of consumer electronics although professional equipment is mainly in the hands of public sector units.

The technology involved is simple enough for the Janata Government to include electronics among its major areas for rural industry development. Radio and TV receiver producing units have proliferated, as have calculators and, more recently, tape recording industries. Radio and TV sets account for about 80 per cent. of consumer electronics production and output has risen so rapidly that there is now a glut. Production of TV sets rose from 96,800 in 1975 to 143,500 in 1976 while that of radio sets increased from 2.82m. to 2.98m.—mainly of the pocket transistorised variety selling as cheaply as Rs.45 (£3) each. However, the total of 22m. radio sets in the country is considered low in comparison to the population; by UNESCO standards, which say there should be one set a family, India should have 120m.



Overhauling electronic equipment at Air India's Santa Cruz engineering base.

Distinctive

A distinctive feature of the last couple of years is the demonstration that small scale units, hitherto regarded as being capable of making just the simpler consumer electronic products, can successfully manufacture high technology products like micro-processed-based data handling systems and digital instruments. Control, instrumentation and industrial electronics produced in 1976 were together worth Rs.550m. compared to about Rs.400m. in the previous year. A modern range of process instrumentation based on the standard unified system, as also a number of different kinds of on-line analytical instruments, are now in the market. Instrumentation Limited has just executed a Rs.30m. project involving a computer-based data acquisition and instrumentation system for a thermal power plant and has recently bagged another Rs.40m. project of the same kind in that country.

An indigenous manufacturing base for electronic weighing systems, including weighfeeders for cement, steel and other process industries has been established. Programmable test instruments became available for the first time last year. Several sophisticated medical electronic equipment such as eight-channel recorders, defibrillators, cardioscopes, crash carts and the like are now being made. Electronic instruments for use in coal mining — including continuous methane monitors and central despatcher systems, have been commissioned. Even in agriculture, electronic instruments such as the moisture meter, are slowly being accepted and new areas for their application are being identified.

Production of aerospace and defence equipment during 1976 remained at the 1975 level. In this wholly central Government sector, production is strictly related to specific user needs and Rs.800m. worth of electronic components were produced during 1976 compared with Rs.750m. in 1975. An overall increase in component production has taken place, because of the large increase in the production consumer electronic items (particularly TV receivers). Components which have registered a substantial increase in production include plastic film capacitors, aluminium electrolytic capacitors, tantalum capacitors, ceramic capacitors, variable capacitors, metal film resistors, potentiometers, loudspeakers, soft ferrites and magnetic tapes.

Exports of electronic items during 1976 were worth Rs.271m. compared to Rs.162m. in 1975, showing a growth rate of 67 per cent. A significant contribution to this came from radio parts and electronic components which have shown a growth rate of about 25 per cent. Public address equipment exports grew by over 100 per cent. Radio-cum-cassettes, FM radios, variable gang condensers, inter-communication sets, multimeters and battery eliminators are among new items exported in 1976-77. The year also saw the start of exports of electronic calculators. Electronic watches and prerecorded cassettes — two items for which world demand is rising — is a new field which India is to enter this year.

K.K.S.

India is in the market for capital investment, and the Government is to allow equity participation in joint ventures abroad — which bodes well for Indian companies operating in developing countries.

Joint ventures

INDIA IS already exporting middle-range technology and equipment—mainly to countries in the Middle East, South-East Asia, and Africa, but also to developed countries like Canada and the U.S.—and will now be in the market for capital investment. The Government has cleared a proposal for equity participation in joint ventures abroad on a selective basis, finding that developing countries are somewhat suspicious of foreign firms that do not seek a financial stake. As with foreign companies in India, firms of Indian origin will normally be allowed a minority share. But this by itself is a major advance over the previous stipulation that collaboration would be permitted just for technology transfer, supply of equipment and managerial and other skills. Indian investment abroad will now take on a new shape and is certain to gain strength in the near future in the hope that use of foreign exchange reserves in this manner will increase earnings in the long term.

Even without this, Indian firms have got a firm foothold in the developing countries. By the end of 1977, functioning Indian joint ventures abroad already numbered 68, while another 132 were being implemented. Manufacturing joint ventures range from factories making basic metal and alloy industries, machinery of all kinds, and automobile ancillaries. Indian firms run transport services in Africa and the Caribbean and, more important, have had a number of engineering and consultancy services offers accepted by Third World countries.

Joint ventures with Indian participation have been welcomed by developing countries because the kind of technology offered fits in with their needs. The computerised, capital-intensive know how offered by the advanced nations is either unsuitable for their stage of development or does not create sufficient jobs. Indian firms have adopted a selective approach, offering technology which has been locally developed and hence can be easily transplanted in similar conditions. In this field, there is no competition with the industralised nations. In fact, India and the advanced countries have a complementary role since the U.S. and Europe cannot fully cope with requirements of Third World countries, even in ventures they have been chosen for. Hence, the next few years will increasingly see triangular ventures. The concept has already been given formal approval in recent agreements with a number of industrialised countries for cooperation in third countries. The method chosen by the government is to establish joint commissions with other countries, most of which are headed by ministers to identify areas of cooperation. With governmental backing, most commissions have found cooperation in third countries to be mutually profitable. This will result both in triangular industrial ventures and in joint bidding for contracts all over the world.

Consultancy

This is to be particularly adopted in consultancy. A major example is Libya, whose economic development programme has virtually been drawn up by the National Industrial Development Corporation (of India), and which is the Arab country with which India has established the closest economic relations. This is part of the political payoff of the country's foreign policy, since many collaboration agreements sponsored by other governments have followed decisions on preferential treatment for Indian firms, which thus have a head start in the Third World. Now that procedural hurdles have been overcome by the creation of an inter-ministerial committee in the Commerce Ministry to take quick decisions on approval of applications for joint ventures abroad, such enterprises are expected to multiply rapidly.

Good foreign relations have helped India to win an increasing number of turnkey contracts. The Arab countries—Libya, where India is building airports, industrial estates and a host of other projects, is again the prime example—have often awarded contracts to Indian firms without the formality of global tenders. This increased after last year's experience by Saudi Arabia in power generation projects, for which a number of western firms made inflated tenders that were scrapped and farmed out to four countries, including India, at a tenth of the lowest bid.

Yet India's capacity to participate in jobs of the dimensions of those offered by the oil-producing countries is limited, both because of the scale of the contracts and the technology involved. Both exclude India from becoming the prime contractor. Hence, Indian firms are trying mainly for subcontracts with increasing success, providing parts of consultancy services, construction work and equipment cheaply to enable the prime contractor to make low bids (after prior commitments from Indian companies) that benefit all parties concerned. In these, Indian firms and the developed countries again play a complementary role which is being increasingly appreciated for their mutual benefit. In the United Arab Emirates, for instance, an Indian engineering firm obtained a slice of a contract that was worth Rs.300m. to it: without its help, the principal Japanese contractor would not have got the job.

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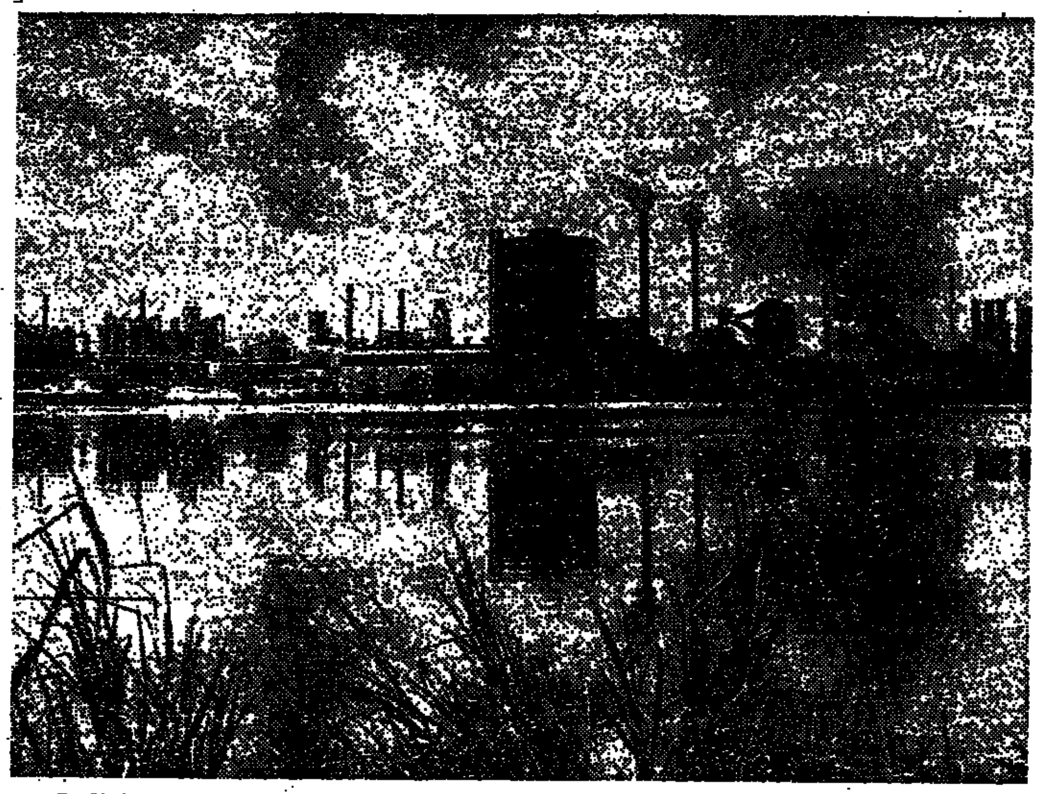
In spite of the world recession in the industry, India is considering several major steel projects. But these would have to be financed from abroad, and for this reason the proposals have met a hostile reaction inside the country. On the bright side, India's steel plants are currently making a profit.

Steel industry



India's major private sector steelmaker is the Tata Iron and Steel Company.

CED WITH an internal and bal recession in the steel ustry and with the problem scarce resources for invest- it, India's Steel Minister, Mr. ı Patnaik, is toying with the ı of encouraging foreign estment in new steel plants. has in mind the Kudremukh ıl concentrate project as a lel; this will cater to the ds of Iran, which has given advance loan of $650m. for development. Mr. Patnaik ; no reason why this cannot extended to other sectors and already has offers from other ernments and multinational panies for three steel plants d at least one alumina pro-). All three are proposed to based at coastal points con- ous to iron ore belts so the manufactured steel can exported easily.

r. Patnaik's thinking is d on three considerations. t, the country has neither resources for new plants, nor ability to use their produc- . Second, development of plants will not only increase strialisation in the heavy, tal-intensive sector at a time n the country's own scarce urces are directed to agri- ure and the small-scale or but will provide further loyment opportunities both ctly and indirectly through elopment of ancillaries, in- structure, and so on. And, lly, since the idea is to ort the entire production, or east the bulk of it, the coun- s foreign exchange earnings improve. The hope is that the time India reaches a te when it can use more steel hin the country, there will be installed capacity available the purpose.

Jut Mr. Patnaik faces resist- ce to what is, on the face it, a highly sensible proposal. hostility is mainly ideolo- al; at a time when the ntry is resisting foreign estment, it seems the Steel istry is throwing a key sec- open to foreigners (Govern- t or companies). This has to raised eyebrows because ar steel has been the pre- e of the Government and, pt for the Tata Iron and l Company (TISCO), the e capacity in the integrated ts is in the public sector. it should remain so has State policy and pressures ist Mr. Patnaik's innovation building, even though Gov- ents of many "friendly" ries have made bids for roposed steel plants.

posed

n a study group formed by inister on the subject has ed private foreign invest- for expansion of the steel ry, declaring that finance pansion should be found me. The group has also ated that expansion of g steel plants and instal- of new ones should go in hand to provide a base ntinuous expansion. What pproves of is planning for lants without reference to xisting pattern of steel ty or requirements of lture. Other studies have ted that location of steel should be based "solely" hno-economic considera- a difficult proposition lly since all the States mouring for them and the ment is committed to ced" regional develop- These are issues the new ment will have to con- ith while formulating its d economic development proposals for making the steel industry viable are being studied. These are based on reports of other study groups which have recommended a debt-equity ratio of 1:2 for steel plants; this will keep the interest burden on them light and enable them to build up liquidity, especially if another proposal for an "interest holiday" is accepted. A major recommendation is that plants should be allowed a 15 per cent. return on investment on the basis of 90 per cent. utilisation. Taken together, the proposals would do much to put the loss-making plants on their feet since inadequate pricing has been the bane of steel units. The economic pricing of steel which is implied will almost certainly be resisted since higher steel prices will lead to demand constraints and a deceleration in industrialisation, quite apart from the impact on user industries. But the alternative is a subsidy for the steel plants and if the bill for this mounts, as it will, there will be a readymade argument for opponents of expansion of the steel industry.

Such arguments reckon without the importance of steel even to the priority sectors like agriculture; it is often forgotten that steel is almost as important an input as fertilisers since modern methods will require mechanisation. At present, India accounts for just 1.4 per cent. of the world's steel output. Yet there is a suggestion that there is over-production in a market without demand. This is not supported by the latest annual report of the Steel Authority of India (SAIL) whose balance sheet shows impressive earnings and a handsome margin of profit for the second year in succession. True, this is partly accounted for by higher export earnings which totalled Rs.3.32bn. when output of saleable steel increased by more than 27 per cent. while profits doubled to Rs.700m. at a time when countries like the U.S. and Japan cut production.

Whether this continues is a moot point, although all the signs are that the international recession will not end soon. And, though Indian production during the first part of the current financial year was about 12 per cent. higher than for the same period of last year, exports have already begun to decline. SAIL still hopes to sell 1.5m. tonnes abroad this year, but there is some doubt about whether the steel industry should rely so much on external demand. The entire argument for a domestic steel industry was to reduce import costs and encourage the engineering and other manufacturing industries which had earlier complained of being starved of raw materials. There is a lesson somewhere in the fact that India has not been able to absorb even the 10m. tonnes of steel which is expected to be produced this year.

Encouraging

However, India's steel plants were in the dumps for so long that it is encouraging that they are at least collectively showing a profit. Particularly gratifying is that most of them report better labour relations and improved functioning. Bokaro is working at 92 per cent. of its installed capacity while even the Durgapur plant, chronically bedevilled by problems since its commissioning, managed to reduce its losses from Rs.200m. to Rs.80m. What remains to be explained, however, is whether the discernible picking up of the home market does, in fact, indicate a return of confidence and revival of general industrial activity. Purchases by public sector undertakings, for instance, may be explained by transfers of stocks; other buyers delayed commitments because of political and budgetary uncertainties. A depression in the construction of both private and public buildings may account for the lack of interest in bar steel. Legislation on urban land ceilings may have something to do with this, although the northern and western States appear to have consumed a substantial amount of light structurals and flat steel while the eastern and southern Indian regions are lagging behind. The overall outlook will not improve unless the Government takes decisive steps to encourage industrial regeneration since the manufacture and sale of steel must be seen as an integrated feature of co-ordinated growth.

While overall strategy on steel is still to be worked out, the Government has decided on a controversial restructuring of the public steel plants which are to be brought under an integrated, rather than a holding, company, the fifth time this exercise has been done. All the plants will now be SAIL subsidiaries, including the Government-shares in the Indian Iron and Steel Company, while the Metallurgical and Engineering Consultants, Hindustan Steelworks Construction and the National Mineral Development Corporation will become independent. The object is to make "functional divisions" in SAIL so that it will look after matters of policy at corporate level and manage the affairs of its various units. Maximum autonomy is to be given to the chief executives of various units to ensure maximum efficiency.

K.K.S.

Joint ventures

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But in some fields, Indian firms have a definite edge and are being regarded as serious rivals by their western competitors. These include transmission towers and lines, sugar mill machinery, textile mill machinery and a host of agro-based industries, particularly the labour-intensive variety: the number is bound to grow in future as promotional and servicing organisations like the Association of Indian Engineering Industry (AIEI) do the basic spadework for firms which are still unaware of the vast prospects for business abroad. AIEI last year established a business office in Daman, Saudi Arabia, which caters to the needs of its members, and it has proved to be a highly lucrative source in the few months it has been operating.

The major turnkey jobs have been won by the public sector giants, which have not only their own resources for carrying out the substantial work involved, but also have governmental backing. Most successful are Bharat Heavy Electricals in power generation projects and construction companies like Engineering Projects India (which is building a complete township in Kuwait), and the National Building Corporation. The latter appears to be the most promising area in which the door has been opened to Indian firms and which they plan to enter vigorously, notwithstanding the disability of being unable to make the pay-offs and offer the fringe benefits that their western rivals can. This is a major constraint on public sector firms, which are barred by official regulations to seek business in a manner that seems to be permitted to their competitors.

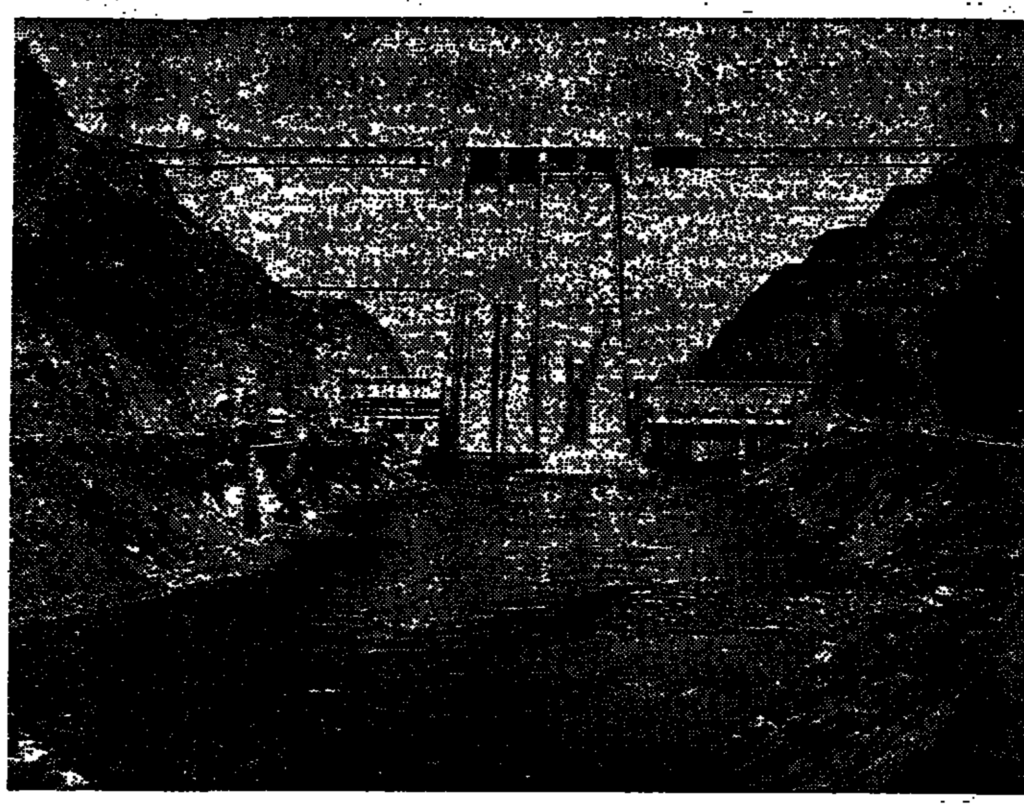
Despite this, 23 turnkey projects involving substantial amounts were won last year in Asia, Africa and Latin America. Apart from those involving laying of transmission lines and building sugar and textile plants—which Indian firms seem to get for the asking—these include an integrated steel plant in Libya, power generation equipment in Malaysia, a water treatment project in Iraq, a tuna fish canning plant in the Maldives, a cement plant in Lebanon and a plant for the manufacture of propylene woven sacks and polythene liners and box strappings in Iran. Many more are in the pipeline. The most prestigious, if they come through, are for the laying of railway lines in Iran and Iraq which are being negotiated by Rail India Technical and Economic Services, a subsidiary of Indian Railways, which has already established an international reputation.

K.K.S.

Scarcity of power and water is chronic in India, but plans to provide more power as well as regulated irrigation look like taking a long time to implement. The problem is growing, and needs single minded concentration to resolve.

Power and water

MR. MORARJI DESAI recently held out what seemed a dream to industrialists and farmers facing the problems of power and water scarcity. There would, he said, be no electricity shortage, no water shortage, no unemployment if the Rs150bn. (about £10bn.) national irrigation scheme now being considered by the Government comes through. The scheme has been prepared by a well-known Bombay engineer and the Prime Minister's eulogistic reference to it suggests that it is being considered seriously as an answer to the country's problems. It is only when Mr. Desai admitted it would take another two years for the scheme to take shape that a hint of wishful thinking crept in. Both power and irrigation are urgent problems which need immediate short-term measures to tackle and it is a heartening sign of pragmatism that the Government has approved the use of the huge foreign exchange reserves for import of diesel generating sets and gas turbines.



The Bhakra Dam on the River Sutlej in Punjab.

Power shortages are a major problem for both industry and agriculture despite the addition of 1.700 mW of capacity on an average every year. This represents something like 12 per cent. of energy output but demand is rising at 18 per cent. annually. One study says power requirements are likely to jump from 100,740 kWh in 1977 to 185,064 kWh in 1983 Despite the planned addition of 15,385 mW of installed capacity, the deficit of 7,622 mW is expected to more than double at about 17,000 mW. The Government is aware of the dimensions of the problem and the crippling effects it can have on the economy, and a working group is finalising long- and short-term plans which it is hoped will be spelt out in the next Plan document.

The present emphasis is on thermal plants, although installation of new units should really be preceded by quick planning on proper maintenance: if losses during both generation and transmission could be eliminated, almost half the problem would be solved. Even new thermal units will take a minimum of four to six years to commission, however, and there is no escaping a difficult position and costly and irksome load-shedding for some years. This despite thinking in terms of super thermal plants, four units each of 400 mW of which have been approved and suggestions for even bigger stations have been made. Final plans are yet to be announced but indications are that apart from schemes for another 10,000 mM in the next five years (both thermal and hydro-electric), there will be further efforts to increase installed capacity. Bharat Heavy Electricals (BHEL), the country's growing manufacturers of generating equipment, has strengthened its organisation at various levels and the unit responsible for installation and commissioning is now headed by a full-time executive director and group general manager. A catalogue of spares for sets made by BHEL, which has won a number of prestigious turnkey contracts abroad, is maintained together with those for imported sets. Hopefully, this will enable various state electricity boards to make indents and maintain proper inventories for maintenance of their power plants.

Capacity

The plans for substantially increasing generating capacity will have no real meaning unless they are presented in detail with a clear statement showing both their feasibility and the financial, technical and administration arrangements for their execution. Resource requirement assessments vary considerably but all are substantial and it is by no means certain that, no matter what the priority given to power generation, these can be raised. And even the best-considered projects can be stalled on this account.

Irrigation needs could also be delayed because of resources constraints and the decision to irrigate an additional 3.4m. hectares annually, compared with the present annual rate of less than 2m. hectares, seems highly ambitious. Some experts feel that much would be gained if attempts were made to limit losses, since one assessment is that 80 per cent. of canal water is lost before reaching fields, while more than *half* of the remainder is wasted. The major irrigation schemes now being considered—Mr. Desai's dream is only one example—are expensive and will take long periods to execute, and many experts feel that minor and simple schemes that serve the needs of small farmers should get priority. The Planning Commission is trying a judicious mixture of all, but it faces the problem of being unable to jettison major projects already taken up and advance action on those of the future.

Nearly 70 per cent. of India's cultivated area lies in regions of low and medium rainfall where drought or semi-drought conditions are common. But devastating floods are also a normal feature in any year, especially in the northern and northeastern regions where the mighty rivers are fed by the monsoon. In 1975, for instance, the damage caused by floods was estimated at a massive Rs.37bn. (£2.3bn.). If this water could be conserved it would not only ameliorate disaster but put it to use for agriculture and related purposes.

In Indian conditions, power generation, flood control and irrigation cannot be anything but a co-ordinated and integrated programme. Less than 15 per cent. of the 40m. irrigated hectares (out of the 170m. hectares of cultivated land) were subject to multicropping, though it was calculated that an additional 12.75m. tonnes of grain would be available if there were two crops on half the cultivated area. The Central Water Commission estimates that the ultimate potential for major and medium irrigation products is about 57m. hectares. But expansion alone will serve no purpose unless irrigation, flood conrol, water management, new cultivation methods, generation of hydro-electricity and even pisciculture and navigation are seen as common features of integrated programmes.

The problem with this broad-ranging view is that the immediate needs of power and irigation draw attention away from co-ordinated and rounded plans. Recently, an eminent commentator suggested the establishment of an international "Greater Ganges Commission" to give "flesh and bone" to the concept of optimal development of the entire Ganges River system as part of tapping the Ganges-Brahmaputra basin. This has a hydro-electric potential of 50m. kW, or 10 per cent. of the world's total—"a vast reserve of cheap, clean, renewable energy"—as well as an average annual capacity to irrigate 1bn. acre-feet. But diversion of attention by what are undoubtedly attractive projects which need world attention, especially since they have been favourably noted by the Prime Minister, when industry is being crippled and agriculture held back by more mundane problems of maintenance and establishment of modest quick-yielding projects, is a danger the planners will have to avoid.

K.K.S.

The forging and casting industry is growing rapidly, but still lacks sufficient technological sophistication to meet all the domestic and export requirements it needs to.

Foundries

A FOUNDRY export group formed by the Association of Indian Engineering Industry is confident that India's exports of castings will increase from the present level of Rs.24m. (about £1.6m.) a year to Rs.213m. (about £14m.) by 1979, a nine-fold rise which is not ambitious considering the scope for expansion. This forms part of the plan to raise engineering products exports to Rs.10bn. a year by 1980 and is being pursued by a special committee of industrialists which meets bi-monthly to keep track of targets, performance and orders by the country's 51 units, including four in the public sector.

While current production consists mainly of general purpose carbon steel castings, some foundries have diversified in the field of special castings such as carbon steel castings of five tonnes or more, alloy steel castings and heat-resisting castings. Special progress has been made in production of intricate and critical castings for such industries as railways (automatic CB couplers, high-speed cast steel bogies, alloy steel gas inlet castings for diesel locos and magnet frames for traction motors), steel plants (heavy duty bogies, platform cars, slag pots), power plants (turbine castings), high-pressure, high-temperature valve castings, defence equipment, cement plants and the like.

But representatives of the industry admit they lack the required level of technology to meet the challenges of the entire range of sophisticated and domestic and export market requirements. While they feel that some horizontal transfer of technology is possible, there is a need for foreign technical collaboration to enable the industry quickly to cater to the export and sophisticated domestic demand. Power supply is another constraint. Nearly 2,500 kWh are needed for production of one tonne of finished castings and the cost of power in India is nearly five times as much as elsewhere, blunting the competitive edge of the industry.

At present, installed capacity of the steel castings industry is around 160,000 tonnes a year. Actual utilisation of capacity is a low 40 per cent. Since installed capacity is expected to rise to 200,000 tonnes by 1978-79 and demand is unlikely to increase beyond 80,000 tonnes, the drive to find markets outside the country is being pushed vigorously. This will be helped if the quality of raw materials like scrap, silica sand refractories and ferro-alloys is improved, the import duty on graphite electrodes cut and power tariff reduced. These steps are now being considered by the Government.

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Prospects for Indian jute products have improved with a large Australian order secured and an EEC decision to allow unrestricted imports of jute goods. But worries are being caused because the country's jute crop has been falling short of expectations.

Jute production

THE INDIAN jute industry, which usually has a problem in marketing its products overseas in competition with synthetics and neighbouring Bangladesh, has been free from that worry for some time. Steady buying by the U.S. and Russia has given it a sound order book. The former is the major customer for the industry's most lucrative item, carpet-backing, while the latter takes a substantial volume of hessian, also a high-value product. As for sacking, the coarse and relatively low-value item which India has for years found difficult to sell abroad, prospects have suddenly improved with a large Australian order for woolpacks and with bumper harvests at home making their own demand felt.

Both the export registration figures and actual exports are markedly ahead of the corresponding figures for the previous year to end-October. If reports that the Bangladesh mills are fully booked up to next March be correct, then the Indian mills should have smooth sailing in foreign markets until international demand for jute goods begins to flag. Judging by some recent developments it looks as if foreign demand for jute goods, or for jute goods generally as a packaging material, is going to remain at a high level for months to come. The European Economic Community has decided to allow in imports of jute goods unrestricted as well as duty-free: it has also agreed to contribute to funds for a promotional campaign that India's Manufacturers Development Council will be undertaking in the member countries to tap new markets for jute goods, especially carpet-backing. All this indicates definite possibilities for expanding exports to the EEC.

Another encouraging development is the interest which Japan is showing in Indian jute goods. Ever since the oil crisis it has been steadily importing increasing quantities of Indian hessian, and this year Japan wants to buy about as much as 50,000 tonnes against an average of 25,000 to 30,000 tonnes so far. A delegation has already visited Calcutta to negotiate purchases with various mills, and deals are in the process of being concluded.

Keen to encourage jute goods exports—a traditional foreign exchange earner—the Indian Government is not only continuing the fiscal relief of completely duty-free exports but has also kept intact the structure of cash incentives for hessian and carpet-backing. These incentives were introduced a few years ago when Indian jute goods were in danger of being priced out of world markets by synthetics and Bangladesh (which resorted to a drastic devaluation of its currency to make its jute goods—its only export for all practical purposes—more competitive. In the altered conditions of today, however, the Government continues to pay a cash subsidy on exports on the same scale. The industry says it needs the subsidy because its manufacturing costs have been moving up, squeezing profit margins.

Costs

Manufacturing costs have been rising because of the high prices it has been having to pay for raw jute, which accounts for 60 per cent. of the total conversion or manufacturing cost. Wage costs account for 25 to 27 per cent. of the total in this labour-intensive industry. Since the Government will not allow any reduction in the labour force while at the same time persistently goading the mills to modernise their machinery, the only way the industry can obtain economies in manufacturing costs is to buy its raw materials at economical rates.

But during the past two seasons India's jute crop has been falling short. During the 1976-77 (July-June) season, the crop turned out to be much less than the 7.2m. bales originally estimated, with the result that in the absence of imports a tight supply situation developed in the markets towards the end of the season.

In the month of June alone—half-a-dozen mills were forced to suspend operations because of the raw material shortage, while many more curtailed output. At one point nearly a third of installed capacity remained idle on account of closures, partial or total. The position continued to be bad until the new crop arrived on the market around the middle of August, and soon there was such a scramble for whatever was available that the Jute Commissioner, who had lifted the price ceiling and other regulations limiting mill stocks at the beginning of the new season, felt obliged to reimpose the price ceilings and the regulation compelling mills to carry stocks equal to their 12 weeks' consumption (subsequently reduced to eight weeks) to minimise the pressure of demand on the market.

These regulations remain in force, but their effectiveness is limited by the fact that most of this year's crop has already been sold and very few transactions are taking place at the officially prescribed prices. According to some trade sources financially stronger and more resourceful mills have cornered the bulk of this year's crop, leaving the weaker mills to seek the aid of the Jute Corporation of India—the official body that makes raw jute purchases as a price support device, but which has so far not been really called on to do much in the market where the ruling price is much above the officially fixed minimum—to find their raw material.

Given a short crop for the second year in succession, this is what was to be expected. The crop this year is variously estimated between 6.2m. and 6.5m. bales, and with a small carry-over of half-a-million bales, the total supply will run somewhere between 6.7m. to 7m. bales.

With imports highly problematical—the Government has decided to import only in principle, and not an ounce has landed yet—a supply of even 7m. bales would be clearly inadequate for all the mills working to their full combined capacity of 1.2m. tonnes. But as it happens six mills still remain closed and power restrictions in West Bengal have forced the rest to keep part of their capacity idle.

Imports

Even then, according to the Indian Jute Mills Association's calculations, with the raw jute supplies available in the country not more than 80,000 tonnes of jute goods can be produced per month from December onwards as against a normal monthly output of 98,000 to 100,000 tonnes. If this is going to be the production rate for the next seven to eight months — that is, until the next Indian jute crop arrives in the market — then in the present conditions of demand, gunny prices are going to rise. In fact a rising trend is discernible in jute goods prices already, hessians in particular.

There are two serious problems about raw jute imports. First, prices in Bangladesh and Thailand (the two countries from which raw jute can be imported) are very high compared with the officially fixed rates in the Indian market — so high in fact that Indian mills are unwilling to take imported jute without the Government subsidising imported prices to the point where they come on par with Indian rates. Since the mills cannot be forced to use imported jute as they say they will lose their present competitive advantage, the Government is trying to find out how many mills will take imported jute at its landed cost. Only two or three mills have indicated their willingness. Hence import licences have not been issued. Secondly, even if there were no such problem over costs on the Indian side, raw jute at the moment is not easily available abroad.

The current raw jute problem has an important lesson for India — that it must find ways of preventing sharp fluctuations in the crop from one year to the next. In a country like India, raw jute cannot really compete with rice for acreage as long as food prices remain high, but it is already accepted that yield and quality of fibre can be increased from a given acreage if adequate efforts are made. Efforts of course are being made but clearly they are not adequate. The problem is how to motivate millions of farmers who are engaged in the cultivation of this cash crop. Model farms can be started and run by the Government or the industry but how can the results of research be disseminated among the widely scattered farmers.

The Government and the industry must find a way. The industry in particular would stand to gain a good deal if the quality of the fibre improved, as would the farmer if the same acreage gave him more output. A better quality fibre would help the industry to go in for a greater volume of finer and decorative products, for which the demand potential abroad is great. Unfortunately with a few exceptions Indian jute mills are not very research- and development-minded, the amount of money laid out on R and D is hopelessly small, and only a tardy effort is being made to modernise mill machinery, despite financial aid promised by the Government. This last failing stems partly from the financial debility of most units in the industry. Years of low profitability have not allowed any build-up of reserves to be used or capitalised for such purposes. Moreover, the industry as a whole, is none too sure of its future, noting that the producers of competing synthetics are investing millions of dollars to improve the competitiveness of their products vis-a-vis jute, and have already taken away a lot of jute's established preserves. Borrowed money, whatever the terms, has after all to be repaid.

A generous cash subsidy on jute goods exports has currently come to their help, but they realise that subsidies cannot be a permanent feature of the gunny export trade. Only some positive international action to stabilise jute goods prices in the world markets, and at the same time help expand the world demand for the commodity will put some heart into the Indian jute industry.

From this joint of view, the recent meeting of some 150 countries in Geneva under UNCTAD auspices to discuss commodity stabilisation measures (covering some ten basic commodities including jute) was of great interest to India. It is realised of course that a lot of thorny issues—like the actual control of the fund that will operate the buffer stock and finance market promotion measures, and distribution of voting power in the International Council—have to be sorted out before an international commodity agreement comes into force. They will be thrashed out when a draft agreement prepared by the UNCTAD secretariat for jute is discussed by an inter-governmental group in Geneva.

Voting

However, at the New Delhi seminar on jute organised by UNCTAD for jute producing countries, representatives of India, Nepal and Bangladesh (Thailand and Burma, the two other invitees, did not participate) felt that they must take a common stand on issues like voting power in the International Jute Council in the proposed draft agreement, as well as on issues like price stabilisation, market promotion and research and development. It would be interesting to watch how the UNCTAD intergovernmental group will reconcile the divergent viewpoints of the producers and consumers, who are both represented on it.

The International Jute Council is not to be confused with the Jute International which is to be a body of jute producers only, the idea for which was conceived by another UN body, UNIDO. India, Bangladesh and Nepal will be its members if and when it comes into being. After showing some initial enthusiasm Bangladesh appeared suddenly to lose interest. But recently President Ziaur Rahman has reportedly agreed to participate, provided the headquarters is in Dacca and the main research centre in Calcutta, exactly a reversal of what the original idea was.

If India and Nepal agree to his proposal then the Jute International now seems to have a greater chance of materialising than seemed likely some time ago. If and when this body comes into being, it will be mainly a producers' front against synthetics, the common enemy, and is unlikely to conflict with the operations of the UNCTAD - conceived International Jute Council.

P. C. Mahanti

Foundries

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Copper and copper alloy castings are confined to a relatively smaller sector, catering mainly to manufacture of defence and power generating equipment. Of the 20,000 tonnes produced annually, 75 per cent. depends on scrap for raw material. Export plans for the small section are limited to only 800 tonnes in 1979-80, but the industry hopes to improve its performance if the Government permits imports of graded copper and copper alloy scrap under the "duty waiver" scheme.

A better opportunity is seen for aluminium castings since these are replacing ferrous components in the West. The problem is of bringing quality consciousness to the scores of foundries producing aluminium alloy castings since the industry admits that few of these are capable of meeting sophisticated export requirements. There are plans to establish a central agency to organise production in the 40-odd units, of which only 15 are large producers (these include piston, automobile and scooter manufacturers). Since exports are negligible so far, hopes are to tap the U.S. and European markets, particularly the piston requirements of automobile industries.

A recent study by the Indian engineering industry feels that foundries cannot be competitive in mass-production items which involve use of machine moulding and automation. Hence plans are to concentrate on large size, batch production items involving high labour content—something that has been welcomed by the Janata Government since this is in line with its broad economic policies. Apart from supplying the replacement market, Indian foundries are to supply castings to principals of firms which already buy them from local foundries. But they are seeking permission for making economies of scale and have asked the Government to allow existing units to expand and modernise and increase productivity by importing special machines.

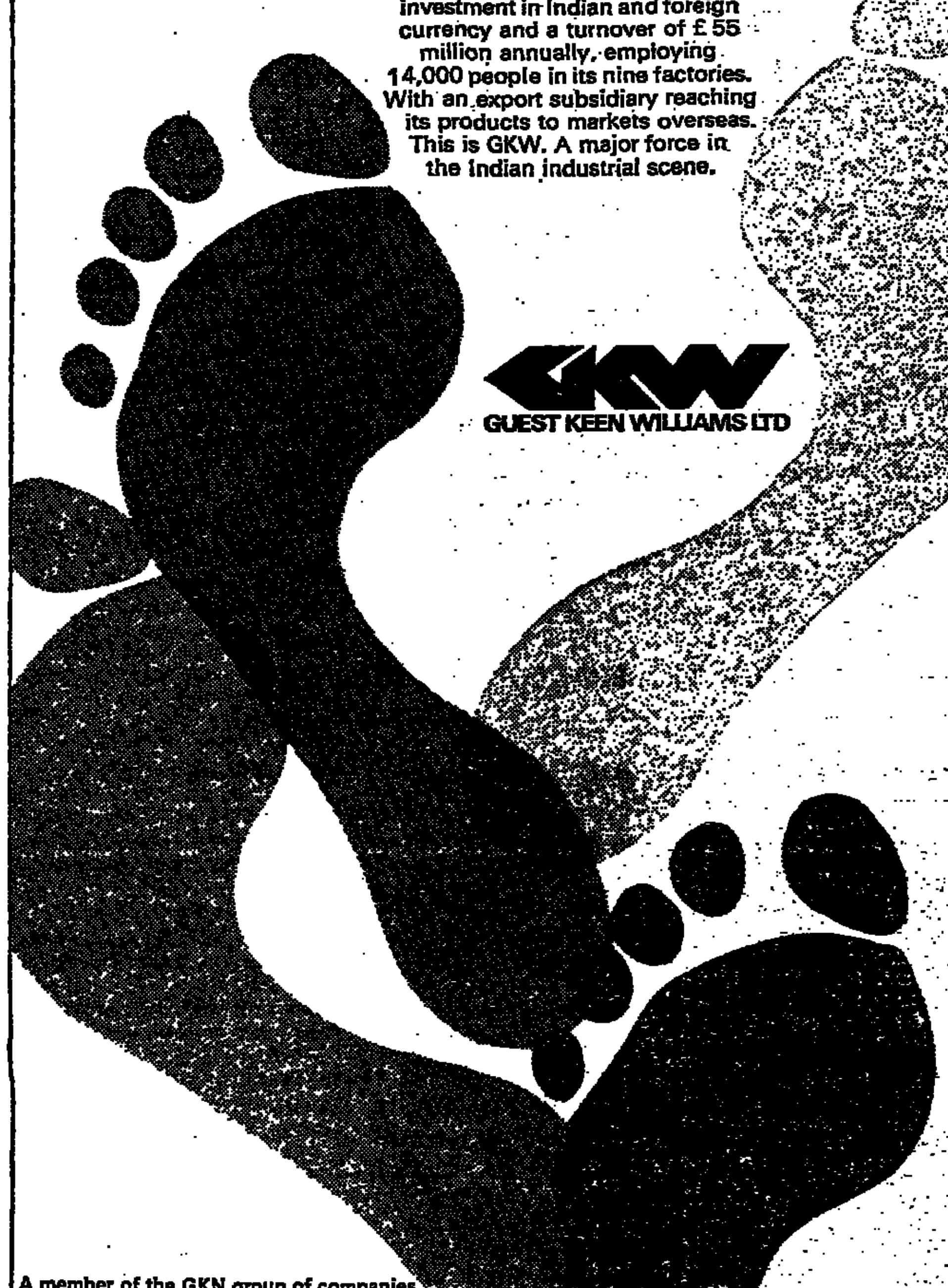
Anomalous

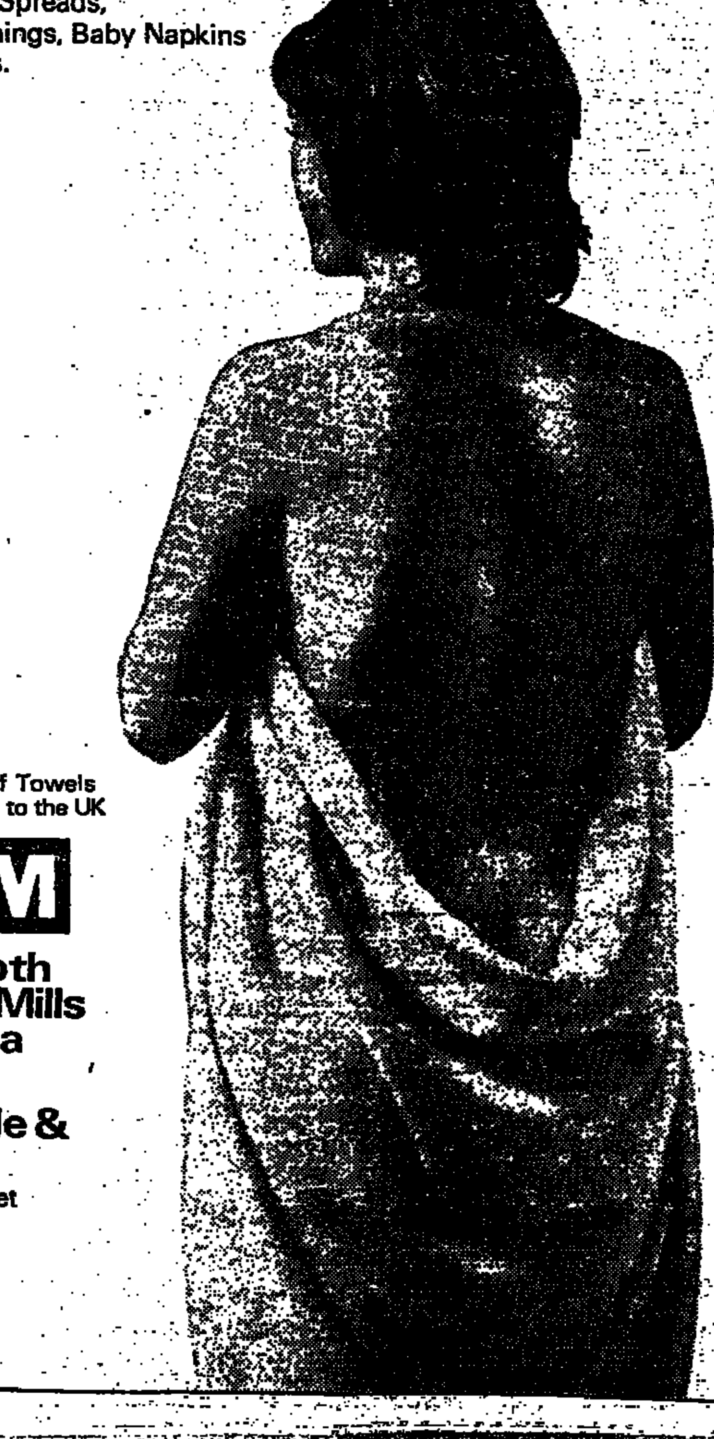
On the domestic front, the Government has urged the industry to correct the anomalous situation whereby, although capacity utilisation in the castings and forging industry is a low 40 per cent., the country has to import the bulk of special and alloy steel castings. The foundry industry is concentrated in West Bengal, Punjab, Gujarat and Maharashtra and makes simple castings like manhole covers, sanitary fittings, pipes and so on. Since foundries are labour-intensive, the hope is that with improved technology they will be able to meet domestic needs as well as exploiting export opportunities. Advanced technology is confined to a few large units and the Government has asked them to transfer their knowhow to the many small-scale units. As a start, the Institute of Indian Foundrymen has started a casting centre which will initiate the transfer of technology.

Arc furnaces, which have had substantial surplus capacity since recessionary conditions set in about four years ago, have been given tax concessions to make them viable in the hope that they will concentrate on developing alloy and special steel castings with corrosion and heat - resistant qualities. Similarly, with the revival of the transport industry (with the exception of cars), they are being asked to turn to production of malleable and SG iron scrap castings. Yet another profitable area for them, both in the domestic and export markets, is cast iron spun pipes since the Government's new policy calls for development of waterworks in rural areas.

Another development, curious though it may seem in the light of the obsolete technology used in most of the small units, is that export of foundry knowhow to other developing countries is planned. Small units are to be allowed the use of testing facilities by the larger business houses while the public sector steel plants are to assist any foundry seeking technical advice and advanced knowhow. Eventually the aim is to set up a technical data bank which will provide information on indigenous knowhow for export.

K.K.S.





As a result of the introduction last year of a ceiling on exports, India's tea growers have come into conflict with the Government. There is cause for encouragement, however, in the size of the 1977 crop, which broke all previous records.

Tea growing

IF 1977 was the best tea year yet for Indian tea, it also brought some unexpected shocks. Just when the industry was getting geared to surpass its export record of the previous year, a ceiling was placed on exports by the Government for the first time in many years, an export duty of Rs.5 a kilogram was imposed and all incentives for exports were withdrawn.

Then, on considerations more political than economic, the Government asked the tea producers to bring down internal prices to a level which many companies complained would leave little margin after meeting production costs. In the event, thanks to a record production (560m. kg. is now the confirmed output figure for 1977) both market forces and Government pressure combined to pull prices down to a level way below what New Delhi had indicated would be fair.

The reason why a ceiling of 225m. kg. on exports had to be fixed for 1977-78, the Government insisted, was to leave enough for the domestic consumer. Tea is a mass consumption product and a liberal policy on exports could only push prices up higher than the dizzy heights they had already reached. During the previous year some 230m. kg. were exported out of a total output of 512m. kg. and that amount, according to industry and trade sources, had left inadequate stocks at home during the lean months from January to April.

There was in fact a shortage of supplies, which together with a strong export demand pushed internal prices up to the heights recorded, very much in line with the international trend. The Government seized on this argument to say that there should be no repetition of the supply crisis this year and fixed the export ceiling at 225m. kg. —that is, 5m. less than the previous year's exports.

TEA PRODUCTION
(m. kg.)

	Crop	Exports	Domestic supply
1970-71	419	199	220
1971-72	435	202	233
1972-73	456	200	256
1973-74	472	188	284
1974-75	489	222	267
1975-76	487	216	271
1976-77	512	230	282
1977-78	560	225*	335

* Export ceiling.

Source: Tea statistics: J. Thomas and Co., Auctioneers.

Ironical

It was indeed ironical for India, the world's largest tea producer and one which has been taking a leading part in the international effort for generic promotion of tea, to place restrictions on exports. It has already become clear that the retention of as much as 335m. kg. out of a total crop of 560m. kg., is more than the home market can easily absorb.

Auction as well as retail prices are back to the levels of January 1976, and world production is already ahead by some 80m. kg., but New Delhi refuses to revise the export ceiling, much less remove the export duty which is serving a second purpose of bringing in a tidy revenue. On the contrary, the fairly complicated export licensing procedures devised to enforce the ceiling are still in force, causing unnecessary delay in shipments.

India's domestic consumption of tea has of course been rising steadily, but not at an even pace, as the accompanying table shows. Moreover, it is not rising so rapidly as to justify retention of 53m. kg. more tea for home consumption this year than was actually consumed in 1976-77. On the other hand, export successes achieved after years of market promotion effort and hard work have been suddenly made to look like an embarrassment.

The Government says it has no intention of undermining exports and would like the industry to go on producing at a rate of 25m. to 30m. kg more every year, at least during the next five-year plan period, giving a greater export surplus while leaving enough for home consumption. The industry is no less anxious than the Government to produce more—at a New Delhi symposium last year all participants suggested that a target of 2bn. kg by the end of this century would be practicable—but a steady production drive can be sustained only if two conditions exist.

The first is that the industry be given adequate financial assistance to fund a worthwhile development programme, covering both replanting and extensions; the second is that it receives a remunerative price for its tea. For example, in the last week of December prices at Calcutta and Cochin auctions came down to Rs.11.57 and Rs.10.67 a kilogram respectively, as against peak prices last April of Rs.29.10 and Rs.28.19. Most producers say that the current auction prices are below their cost of production; even the Government itself wanted tea to sell at Rs16.50 a kilogram on an average when the price per kilogram at auctions went up to Rs.29.00 or more.

As for the industry's financial conditions, years of low profitability (the current boom phase dates only from 1974) have produced conditions of debility in most cases. Tea prices have of course been better, but the cost of inputs like fertilisers, weed-killers, pesticides and coal has also gone up. Few tea companies therefore have cash resources to plough back into investment.

The industry also complains that taking central and State taxes together the rate of taxation is higher than the general corporate rate, and that of late the State Governments of Assam and West Bengal (which together produce most of north Indian tea) have raised the rates of agricultural income tax, adding significantly to the burden.

Moreover, the sterling tea companies, easily the best organised and most advanced corporate organisations, have suddenly found themselves saddled with huge income tax liabilities on account of commissions remitted over the past 16 years—the demand could have been for a longer period, but the arm of the Revenue does not reach back any farther. Unless otherwise settled these liabilities would reduce the companies' already inadequate investible resources even more. They will all have to convert themselves into rupee or Indian companies soon in compliance with the Foreign Exchange and Regulation Act. It is therefore, unfortunate that they are going to be encumbered from the start—clearly not a condition encouraging them to plan for development or to work ahead confidently.

Controversy

An unnecessary controversy, just when direct tea shipments to Britain are increasing, is whether India should auction all of its teas at home, or continue to despatch part of the output for auction in London. In fact the Commerce Minister, Mr. Dharia, has, on the suggestions of a parliamentary body, appointed a committee to inquire into the advisability of continuing this London link. He is apparently of the view that India is losing by sending tea to London auctions, although he has not spelt out quite how.

This is not the first time the Indian Government has exercised its mind about the subject. Ministers have talked about it before, but nothing has come of their discussions as nobody has clearly and logically worked out the pros and cons of it all and predicted what the net result would be.

The reason why no clear set of conclusions has emerged is because nobody has yet been able to make the point that loss of all existing contacts and connections in Britain, still the world's largest tea-drinking nation, would be of no consequence to Indian tea at all. Secondly, the quantity of tea that is now going to London auctions cannot be handled in Calcutta or any other auction centre because of inadequate warehousing facilities.

Tea is a perishable commodity which picks up moisture and odours very easily and cannot be stored for long without rapid deterioration of quality. Another important reason for keeping the London connection, which the industry has always emphasised, is that of all of India's competitors, Sri Lanka included, send their teas to London's Mincing Lane for auction, and it would be unwise for India to remain outside. It remains to be seen how Mr. Mohan Dharia is eventually going to be convinced.

Indian tea shipped direct to London for auction has gone down from 62.8m. kg. in 1966-67 to about 37m. in 1976-77, whereas shipments on account of forward contracts and private sales have gone up from 4.7m. kg. to 20.2m. over the same period. These are Tea Board figures.

It is reasonable to conclude that a total stoppage of shipments for auction in London would mean further increases in forward contracts and private sales. If the Government stops the latter type of shipment also, India is bound to lose to rival producers a long-established foothold in a very stable and dependable market.

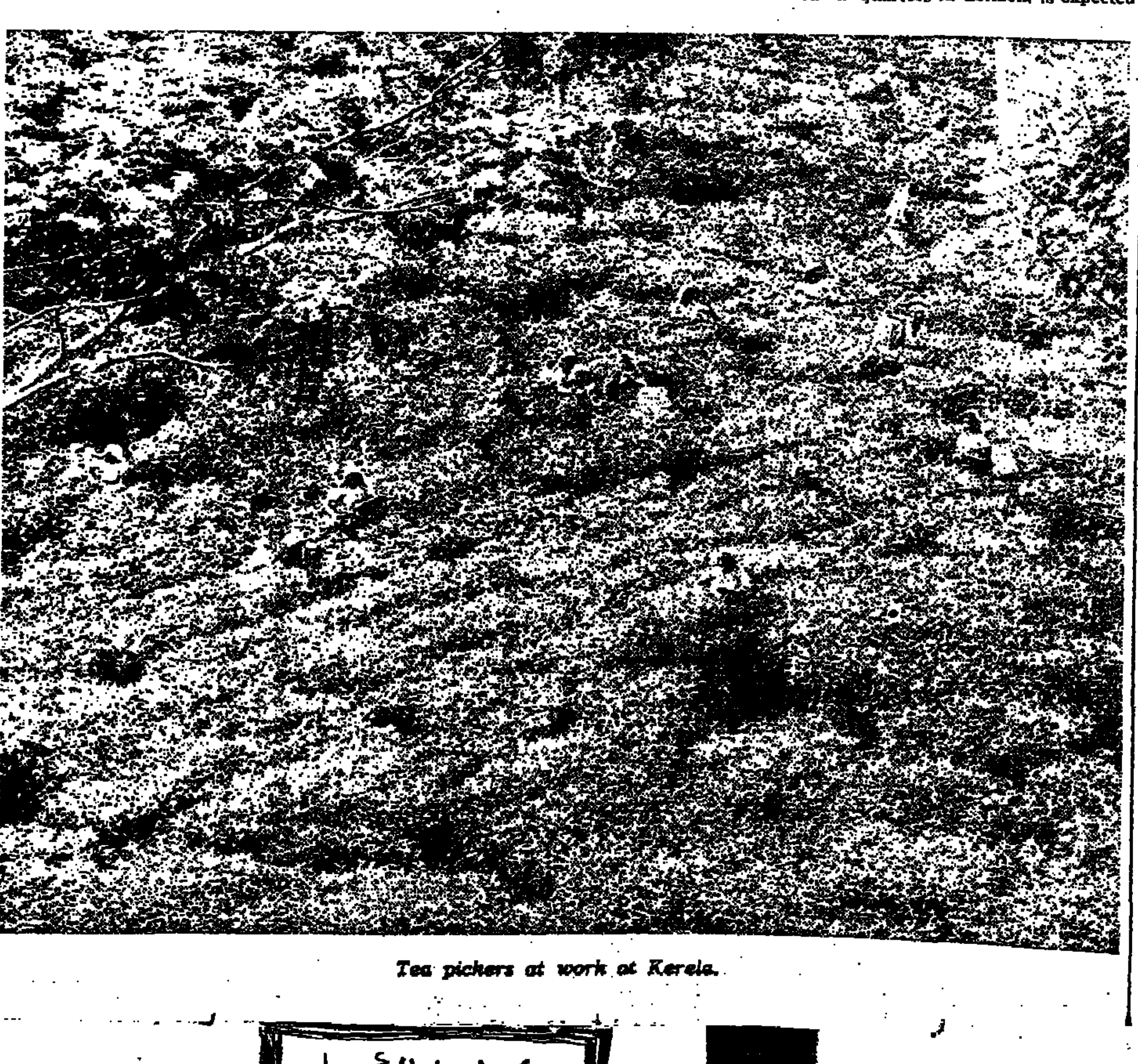
World production of tea is also increasing. From 741.3m. kg. in 1966 global output went up to 932.6m. kg. in 1976-77. Almost all producers, barring Sri Lanka, have shared in the increase, the African countries as spectacularly as India, or even more so. More significantly, they have emerged as strong competitors to India in the U.K. market. According to the International Tea Committee India's tea exports to the U.K. have come down sharply from 97m. kg. in 1966 to 72m. in 1976. Whereas over the same period African producers increased theirs from 45m. kg. to 75m.

Whatever the state of internal consumption, India has to stay in the tea export business not only to earn a substantial quantity of foreign exchange but to keep the industry going on a viable footing. This year India has restricted exports to 225m. kg., yet world demand has helped it earn foreign exchange worth Rs.5bn. (£333m.). Exports fetched Rs.3bn. (£200m.) in 1976-77 for the export of 230m. kg. as the international price was lower. If participation in London auctions was getting in the way, how was this high export income possible?

Notwithstanding the Government's approach to exports, the Indian tea industry feels enormously encouraged by the fact that international organisations like the FAO and UNCTAD have been taking an active interest in the future of the commodity. The international Tea Promotion Association, which is to come into existence next April, is largely the result of the efforts which the FAO has been making. The Association, which may have its headquarters in London, is expected to play a very important part in the promotion of tea on a global scale.

Increased volume alone will not solve the basic problem of export income fluctuations unless a way is found of ensuring a measure of price stability. This is where the UNCTAD effort to get the exporters and consumers of tea assumes great significance. UNCTAD's preparatory committee, which will shortly be meeting in Gen[illegible] will discuss the subject of p[illegible] stabilisation through a b[illegible] stock and other devices. [illegible] deliberations will be helped [illegible] the discussions of the [illegible] meeting of the FAO [illegible] governmental group on [illegible] which covered the propo[illegible] buffer stock scheme in techn[illegible] and all other aspects.

P. C. Ma[illegible]



Tea pickers at work at Kerala.

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Cotton workers at the Krishna mills Bhilwara, Rajasthan.

Restrictions on textile exports to EEC countries and consumer resistance from the West have been severe blows to India. The future for the country's textiles industry looks grim unless it can break into the Middle East markets.

Textiles

JRING THE long hot Euro-an summers of 1975 and 1976 en the craze for cheesecloth so-called ethnic dress was its height, the Indian textiles ustry was in clover. Hand-m weavers could barely keep with demand, turning out lions of metres of cloth for racks of Oxford Street and counterparts in other Euro-n capitals. Exports of mill-e cotton, too, virtually bled in 1976, reaching record ls. But last year came as a shock. The weather was erable, European women d for a more tailored look worst of all the EEC tively slapped unilateral ictions on textile imports.

The Indian textiles industry was highly indignant. Under the new Janata Government with its neo-Ghandian philosophy and penchant for small-scale cottage industry, handloom operators were looking forward to years of uninterrupted 6 per cent. export growth as guaranteed by the old multi-fibre arrangement (MFA). In the EEC, India's biggest market for textiles, this has been cut back to between 0.5 and 2 per cent. Indian negotiators, while admitting that Europe had been foolishly liberal in the past, emerged from Brussels with the feeling that they had been well and truly outmanoeuvred, partly by the EEC negotiator Mr. Tran Van Thinh, partly by the "defection" of Hong Kong which, they suggest, may have been arranged through the use of susbtantial incentives on other fronts, by the U.K. Negotiations with the U.S., India's second biggest market, allowed for more growth than in Europe, but again put curbs on what India's planners had hoped would be among the major areas of economic expansion under the 1979-84 sixth plan.

The blow to these expectations has coincided with a crisis in India's 700 or so textile mills—partly the result of years of poor management according to Government officials in Delhi, but certainly brought to a head last year by a world shortage of raw cotton which pushed prices sharply higher. In the early 1970s, 105 flagging textile mills were taken over by Government but this strategy is no longer effective and more and more mills are shutting down. At the end of last October, 36 mills representing 47,000 jobs were lying closed. Many of the remaining mills appear to be operating at a loss and say they have depleted their entire reserves, some even their capital.

Erratic

Manufacturers and cotton growers alike suffer from the erratic and violent fluctuations in the raw cotton market, where the price per lb has risen from 50-55 cents to 95 cents and dropped back to 55-60 within the past 18 months. This type of movement has provoked endless debate on the advantages of a national buffer stock, a move generally considered desirable but impossible to implement without a domestic surplus (besides being politically unattractive while prices are firm and hence to the advantage of the cotton growers, whose ability to mobilise voting support in the numerically dominant rural areas counts for something in Delhi)—and likely to be resisted by industry in times of surplus and low prices.

According to the Indian Cotton Mills Federation, which is lobbying hard for a national textiles policy and has submitted a blueprint to the Government, prospects for 1978 are grim. It wants the Government to provide soft loans of around Rs.1bn. a year for the next seven years to help the mills sector modernise, and further aid for the decentralised workers in the form of co-operatives with facilities for bleaching, dyeing, sanforizing and printing.

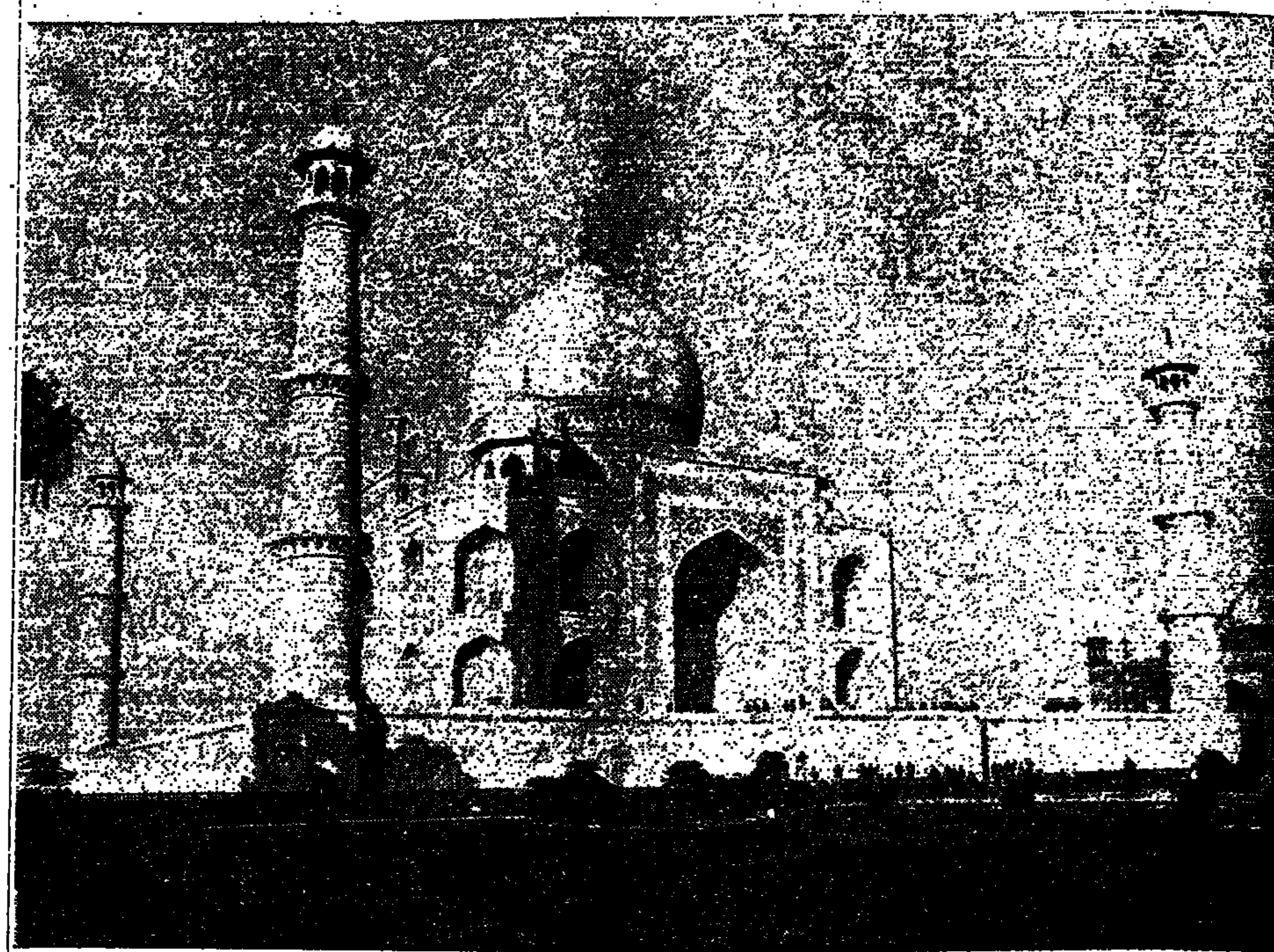
The Government has not yet responded formally to the ICMF's proposals but does not seem to share its gloomy out-

Despite the curbs imposed by the U.S. and the EEC, it expects earnings to improve in 1978 on the strength of a better cotton crop and buoyant domestic demand for such bread-and-butter lines as household linens in the mill sector, dhotis and saris in the handloom sector, barring an unforeseen decline in the economy as a whole. Exports will also undoubtedly continue to increase, even if not as quickly as planned.

But Government officials are less happy about the prospects for longer term development. They interpret the EEC and U.S. stance in last year's negotiations as a clear indication that the developed countries do not yet intend to shift their industries upmarket, leaving the less sophisticated sectors to the Third World producers. In view of the constraints on Western markets, attention will probably be directed towards building up alternative outlets in the Middle East oil producing countries but strong competition is expected here from Hong Kong, Taiwan and South Korea, whose higher labour and general production costs are offset by vastly superior technology.

Moreover the Middle East demand is currently biased towards synthetics, in which Indian manufacturers are at a sizeable disadvantage. The world price for polyester, the cheapest synthetic fibre, is currently Rs.12 a kilo compared with the Indian price of Rs.68 (including 54 per cent. in various taxes). Until recent years, India's raw cotton production was sufficient to absorb manufacturing capacity and the premium on the domestic price on synthetic fibres discouraged widespread diversification into synthetic cloth manufacture. Now that capacity exceeds raw cotton supplies, many manufacturers say they would like to develop the man-made fibres sector, but that neither the restricted Western markets, nor the potential Middle Eastern markets, offer sufficient security to justify the initial investment risk.

Whether the outcome of last year's negotiations signals the start of a permanent protectionist trend among developed nations remains to be seen. Indian officials say they are not optimistic. The villains, as far as they are concerned, are the U.K. and France, whom they accuse of bulldozing their more liberal EEC partners into line. The U.S. has also disappointed Delhi by not exerting pressure on the EEC to take a softer line. However, the underlying soundness of the industry is not in doubt—nor is the fact that exports, though curbed, will continue to grow.



The Taj Mahal.

India's capacity to accommodate the tourist has now somewhat overstretched itself. But for those who are prepared to put up with the inevitable delays and discomforts, the rewards that the country has to offer are enormous.

Tourism

MORE THAN 640,000 foreign tourists came to India last year. Amid a population a thousand times that number it was not a lot. But it is four times the number that came ten years ago and it is definitely more than the national tourist industry can cope with. The four and five-star hotels in most of the major cities are perpetually crammed, domestic flights inevitably have waiting lists of up to 30 people, and railway reservations for night journeys are as prized as tickets for Glyndebourne.

The country is well worth the frustrations that seem to be an inseparable part of trying to move around in it, even if at times they seem almost too much to bear. They start from the moment you arrive—at Bombay Airport, for example, on one of the many nights when three jumbo jets arrive within minutes of each other depositing 1,000 or more tourists.

The course is clearly marked—two desks for health certificates, two for immigration, three for customs clearance and two more for another passport check (candidates need attempt only one of each). It must be followed in the right sequence—failure to do so leads to temporary disqualification while you proceed to the end of the correct queue. At each checkpoint you meet the same courteous, imperturbable affability as the official monitoring your progress — who occasionally dispenses with the formality of actually checking the relevant documents—pauses to joke or debate with you, with others in the queue, or with a fellow official standing by to help him in his work, or perhaps just to keep him company.

Those waiting jockey for position, the more experienced warding off queue-jumpers with well-placed umbrellas or elderly relatives. Under perfect conditions, they say, it is possible to complete the course in less than two hours. The object is to emerge with one's sense of humour intact. If you can do so, collect 200 rupees and proceed to Go—India is for you.

You can travel cheaply or expensively. If you want to travel expensively, the standard air fare from London to Bombay or Delhi is £613 return. Several of the major airlines—British Airways, JAL, Air India, Qantas, Pan Am, Aeroflot and others—make the trip, usually with a stopover somewhere in the Gulf. The same flight costs around £310 excursion rate.

Single rooms in the major international hotels in the bigger cities will cost around £30 a night, and about half that in the provincial capitals. A very presentable Indian meal in one of these hotels will cost around £3 a head or less, but European food costs more and liquor is prohibitive, so to speak, at around £3 a measure of scotch. (This might help explain the Indian penchant for home brew in one form or another.)

Getting about inside the country, you may take the domestic airlines (there is usually somebody in the hotel to arrange it and shelter you from the two-hour wait in the crowded Indian airlines office) and the flight from Delhi to Calcutta, for example, is around £15. A private car costs around R.13 (12p) a kilometre but is not altogether wise for longer trips if you find arrival more important than the journey, or if constant near-collisions with lorries, bullock carts and trishaws unnerve you.

If you decide to go cheaply, Syrian Airways and Afghan Airlines do slightly complicated but cheap flights at around £230 return from London or Amsterdam. Overland trips by Landrover, etc., are not cheap — around £645 to £715 for 10 weeks London-Katmandu, not including daily living expenses, and £535 to £585 for four weeks Istanbul-Agra, again not including daily living expenses, estimated in both cases at £6 to £6.50 a day. Single rooms in two-star hotels cost around £5.30 a night (this includes a private bathroom) and cheaper hotels with communal facilities can be found for £1.30 a night.

Legends

Travelling around, you can go by bus or train. In passing it should perhaps be pointed out that the legends popularly associated with train travel in India relate to first-class — air conditioned, occasionally gracious and, at around £14 Delhi-Calcutta, about the same cost as the domestic flight. Second-class travel is often crowded, dirty, uncomfortable and extremely time-consuming. It is also ridiculously cheap — less than £4 Delhi-Calcutta. And when you reach your destination, you do so with the air of one who has paid for all sins, past and future, and who deserves all the wonders that India has to offer.

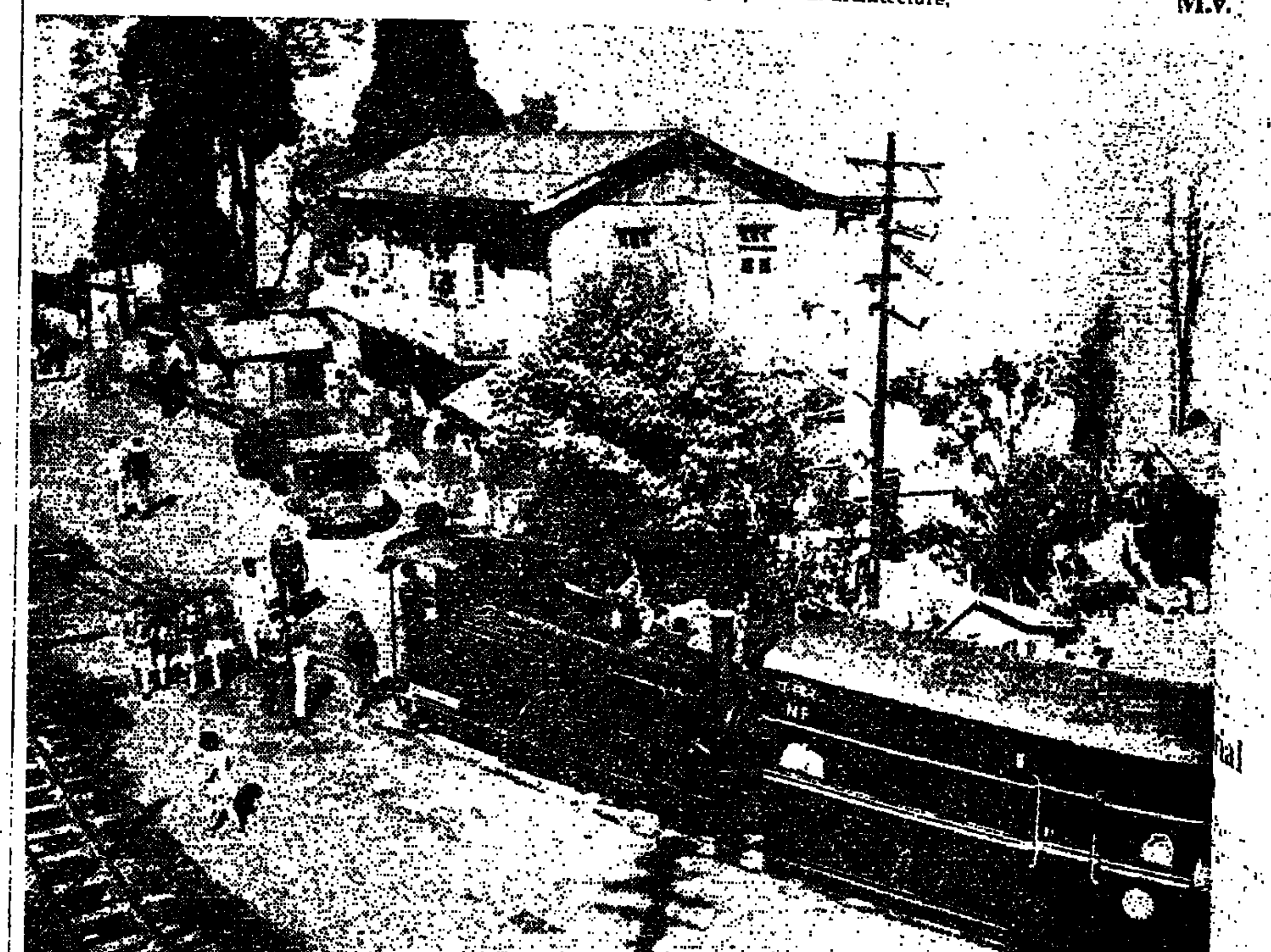
Deciding where to start may well be the hardest part. People's reactions to India tend to be moulded by their expectations. If you come in search of religion, Muslim architecture, Rajput miniature painting remnants of the Raj or mere the ultimate Biryani, you will find it. *If poverty and dirt a what you expect, that it wh you will see.* It is like the o Sufi tale of the blind man a the elephant—you can come grips, as it were, with a pa but the whole thing is too mu for one man.

The Indian Governme appears somewhat reluctant promote tourism, which g very low priority when it com to allocation of funds. T 1979-84 Five-Year Plan allo for an annual 14 per ce growth in this sector, t tourism officials expect year's 20 per cent. growth r to continue for at least t more years and possibly long

The better known tou attractions such as Ag Varanasi and Srinagar, as w as the larger cities such Delhi, Bombay and Calcutta, already near-impossible with bookings. Madras, which ha boom in hotel construction few years back, is easier. there are only about 17,000 fi class hotel rooms in the en country (compared with aro 8,000 ten years ago) and on present building plans, scramble for them is certain become more desperate dur the next year or so.

Some concessions to po lism are being made in the fo of new beach resorts on southern coast, with much moted yoga classes by the But India is so rich in temp monuments and holy places matter where you are then always something of the within 20 miles—that it c not need to try too hard.

M.v.



One of India's famous trains on the Siliguri to Darjeeling line.

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British eating habits ● By ELINOR GOODMAN and CHRISTOPHER PARKES

The return of the beefeaters

THE PATTERN and scale of British-meat consumption have changed dramatically since the end of the war. When rationing ended in 1954 sales began to climb rapidly to a peak in the 1960s. That was followed by a steady decline of overall consumption and what many in the meat business regard as a decline of standards. The baron of beef has given way to the chicken drumstick.

In 1976, total meat consumption in the U.K. fell to its lowest level since 1959. After a marginal recovery last year—mainly attributable to a glut of pork—meat eating is expected to slump again to even lower levels during 1978. At least, that is the view of the Meat and Livestock Commission, the statutory body which monitors trade and prices in the meat business.

The Commission says prices will be rising again this year as reductions in the production of beef and pork make their impact in the butcher's shop. (The devaluation of the green pound will also push up the price.) Best estimates suggest that there will be 2.5 per cent. less home-produced beef in the shops this year and 10 per cent. less pork. And because fewer pigs will be killed, British bacon output will fall from 220,000 to 200,000 tonnes.

While the Danes will doubtless be eager and able to fill any gaps in the British bacon market, beef imports will present greater problems. The Irish, who last year sent record tonnages—much to the dismay of British farmers who were hoping for a prices bonanza from their own limited production—will be building up their herds again in 1978. Consequently they will have less to sell. The French, too, are getting their national herd back up to full strength. In any case, they prefer to sell any surplus meat to Italy, where prices are much higher than in Britain.

While Australia, the Argentine and other former suppliers to the British market doubtless have ample cheap stocks ready to send, no one seriously expects the European Community to break the habit of a decade and permit imports which might help keep down beef prices within the EEC. Britain's own health regulations effectively preclude any possibility of imports of pork to relieve the pressure.

Not too rude

Generally, retailers are less pessimistic about the outlook for meat consumption than the Meat and Livestock Commission. Though at pains not to be too rude about the Commission, they criticise its forecasts on the grounds that they are based only on the supply outlook for British meat and take no account of demand.

But they do agree that in the meat market supply and demand are inextricably interwoven. If supplies fall prices rise, and the housewife starts buying less and cheaper meat.

The retail trade is also convinced that some of the EEC's surplus beef "mountain" can be taken out of the freezers and shipped to Britain. That might stabilise prices and demand. Overall, the butchers expect consumption to remain at last year's level.

But the Commission, which is dealing in longer term trends, is only one member of the chorus predicting a continuing decline of meat consumption, at least until the mid-1980s. The long-term pattern of consumer spending on meat is at best stagnant and at worst showing all the signs of a gentle fall. Expenditure on meat and bacon as a proportion of total consumer spending (at current prices) was 6.7 per cent. in 1960. It fell to 6.1 per cent. over the next five years, and dropped further to 5.7 per cent. in 1970, reaching 5.3 per cent. in 1975 and staying at that figure the following year.

There is a tendency at all levels in the meat industry to accept the simplest thesis to explain why less meat is eaten. "Prices go up, so people eat less," it is said. The fragility of this argument is easily demonstrated. The price of cheese (which incidentally contains at least twice as much digestible protein as does animal muscle), increased by 10.5 percentage points more than that of meat between 1969 and 1976, yet consumption rose by 8.3 per cent. as against a 3.7 per cent. drop in meat consumption.

Prices have risen sharply elsewhere in the EEC, but only in Denmark is the pattern of consumption in any way similar to that in Britain. In the other seven Community countries consumption of beef and pork has risen steadily during the past decade. So it is surprising that more research has not been carried out to investigate this British phenomenon.

According to Mr. Bob Bansback, of the Meat and Livestock Commission, a statistically prolific investigator of the U.K. meat market, total British meat consumption will fall 5 per cent. between 1975 and 1979. Then, until 1982, consumption will remain steady before climbing by 2 per cent. until 1985. Annual per capita consumption would then be only about 3 per cent. higher than in 1955—one year after the end of war-time controls.

Leave out poultrymeat, and Mr. Bansback's figures show a much more spectacular decline, with consumption of what might be termed "butchers' meat" 8 per cent. lower than in 1955. During the past 20 years, thanks to the arrival of the broiler chicken, consumption of poultry in the U.K. has quadrupled, and as the technology of poultry production improves, chicken will play an increasing role in the British diet.

It is conceivable that other forms of poultry will also become increasingly popular. In France and Belgium, for example, guinea fowl and quail are already raised in the same type of jam-packed broiler factories as British chickens.

Their carcases are a common sight on supermarket meat shelves.

Broiler production is now so highly mechanised and specialised in Britain that the farming community tends to regard it as an industrial process. The hen and its offspring by their size, nature and durability, lend themselves to production line processes from shell to shelf. One man can tend many thousands of birds efficiently and cheaply. One of the industry's greatest strengths is its flexibility. Because a chick can be hatched and fattened in a matter of weeks, producers can respond rapidly to changed demand, boosting output to fill gaps in the red meat market, and cutting back in times of glut.

Compared with the two to three years a farmer has to spend preparing a beef animal for the butcher's hook, this production cycle has clear advantages. As has been seen in the past few years, progressively fewer farmers are prepared to take the gambles involved in producing beef. The size of the national herd of breeding cows, farmed specifically for beef calf production, has been falling for years and it will continue to decline. Beef will become more and more, in Britain at least, a by-product of the dairy farm. Milk, farmers believe, can be relied on to provide a steady income. Beef will provide something of a bonus.

In spite of this change of farming practice and the inevitable decline of beef production in the U.K., consumption is expected to fall even more than production. Mr. Bansback claims that instead of importing some 10 per cent. of its annual beef needs, Britain will shortly become a net exporter.

He suggests that in 1982 Britain will have an exportable surplus of some 80,000 to 100,000 tonnes, and should also be selling abroad about 10,000 tonnes of broilers.

Output of pork and bacon will continue to increase in much the same way as broiler production. Pigs can be reared and are increasingly farmed in factory-style units. The successful producer needs neither a great deal of land nor a large labour force, and the business has now been all but taken over by the major animal feed companies. They view the pig as nothing more than a processing plant for converting raw grain into desirable meat. To economists and the farming industry the pig is little more than a bag of grain with a leg at each corner and a squeak at one end.

Most of the complaints about the parlous state of the pig industry last year came from the smaller farmers who were living through yet another of the economic storms which for many years past have been driving the whole pork and bacon business into the hands of the highly efficient and highly capitalised few. Eventually, these changes are bound to end in a new era of stability in the meat market. As price increases become less frequent and less shocking to the average domestic purse-holder, consumption can be expected to pick up again, vide the steady growth elsewhere in the EEC where buyers are better accustomed to high-priced food than the subsidised British.

Much has been made of the impact of EEC membership on the British meat market and food prices in general. But joining the EEC and adapting to the Common Agricultural Policy merely speeded up a rationalisation process in British farm and food policy which had been dawdling along for some years.

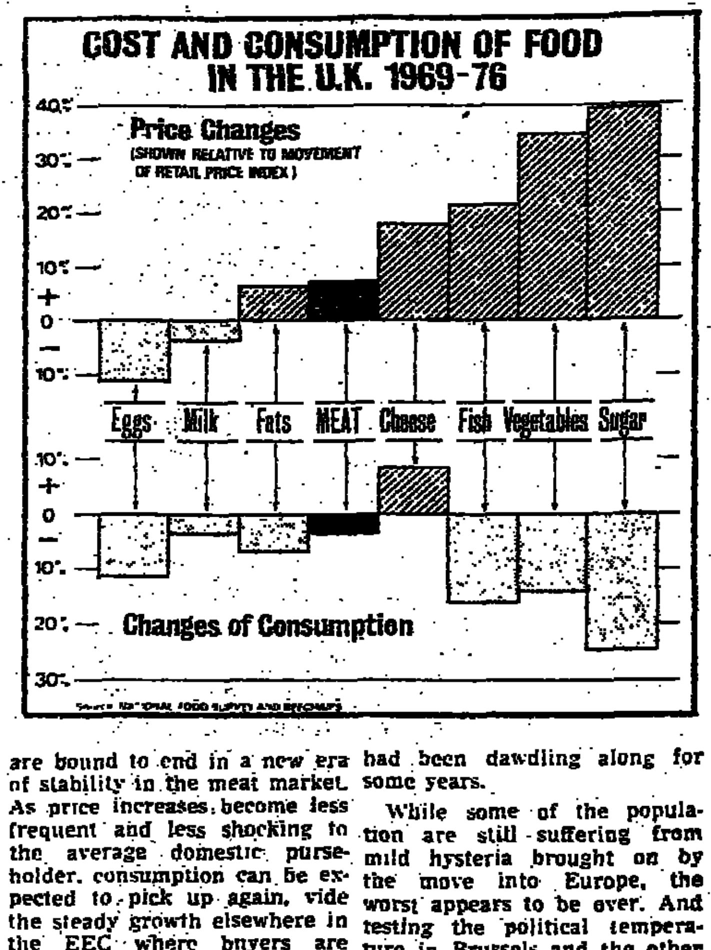
While some of the population are still suffering from mild hysteria brought on by the move into Europe, the worst appears to be over. And testing the political temperature in Brussels and the other Community capitals gives a surprisingly consistent result. The excessive CAP price rises of the past seem unlikely to be repeated in the foreseeable future. And while Brussels may remain a political torture chamber for British ministers for many years yet, the storm in the British shopping basket appears to have blown over.

U.K. MEAT CONSUMPTION PAST AND FORECAST

(kilogramme/head)

	1955	1965	1975	1976	1979	1982	1985
Beef and veal	21.5	20.8	23.5	21.0	19.1	18.2	18.7
Pork	8.1	11.7	10.3	10.4	11.5	11.9	12.2
Lamb	11.1	10.5	8.3	7.7	7.3	7.0	7.2
Poultrymeat	2.9	7.6	11.4	11.6	12.9	13.7	13.9
Total Meat*	53.4	58.6	57.0	55.0	54.1	53.7	54.7

* Also includes offal, ham and bacon. Total converted to edible weight.



Letters to the Editor

Change the tax structure

From Mr. A. Jacobs.

Sir,—Samuel Brittan's "Recipe for jobs incentives and welfare" (January 19) sets out so clearly the cause of the poverty trap and the urgent need to tackle this problem.

As a member of the Liberal Party's taxation group who have prepared our Party's submission to the Chancellor for the forthcoming budget, I can confirm that we are very aware that if the Chancellor only has £2bn. to "give away" then either personal allowances can be increased or we can bring in a reduced rate band of £1,000 at 25 per cent. which would absorb £1.9bn. To lower the standard rate of income tax as well from 34 per cent. to 30 per cent. would cost a further £1.2bn. If, therefore, only £2bn is available, there will be no additional relief for the middle tax payers and the top rates of tax would remain at 83 per cent. and 98 per cent.

In our proposals we have tried to take a different line, realising that to give the necessary income-tax reductions across the board, a sum of at least £4.5bn. is required. We would like to give effect to a statement that the Chancellor himself has made, that the burden of direct taxation is too high and that of indirect taxation is too low as a relative proportion of total Government revenue.

We do not believe that there is very much room for cutting public expenditure, except perhaps in the area of housing subsidies, and to be fair, the proportion of GDP devoted to public expenditure is in the middle range of Western countries. We believe there is little difficulty in raising a further £2.5bn by increases in various forms of indirect taxation, including a modest increase in VAT, and the changes proposed would have only a small effect on the Retail Price Index. It is to be hoped that our detailed proposals can be published shortly, but one can readily appreciate that if we were to have £4.5bn. available for income-tax reductions (£2bn. from deficit financing and £2.5bn. from increases in indirect taxation) then most exciting and radical reductions in income-tax could be obtained. Only a very small amount of revenue would be required to alleviate the burden of higher tax payers which number only 1m. people. Practically the total sum could be used, for example, to reduce the standard rate of income-tax from 34 per cent. to 25 per cent. benefiting 20m. people and this would cost £2bn.

Regrettably commentators only express views about possible income-tax reductions by considering what revenue is available from deficit financing. None seems to credit the possibility that substantial further sums could be available for income-tax reductions from a careful selection of increases in various forms of indirect taxation.

Anthony Jacobs.
York Terrace West, N.W.1.

Actuarial jargon

From Mr. K. Burton.

Sir,—It is right that the way in which the members of every profession carry out their duties should be subject to scrutiny and comment by the public it seeks to serve.

Mr. Evans's suggestion (January 19) that actuaries have been able "to get away with single answer pension fund valuations" involves a generalisation which I am sure one person's experience is unsufficiently wide to sustain.

The particular charge made by him is that inadequate advice has been tendered to employers about contracting-out. This may be true but, if the question is to be judged by the literature issued by some of the insurance companies and of the various consultants who operate in the pensions field, the charge should not be levelled at actuaries alone. To my personal knowledge many actuaries, like some insurance companies and other consultants, have presented the alternatives as objectively and as intelligibly as the complicated nature of the issue makes possible.

By what objective test anyone is to judge in the world as it is to-day, amid widely conflicting opinions about a future which no-one can hope confidently to foresee, what is realistic, optimistic or pessimistic, Mr. Evans does not explain. The best one can do is to indicate, as many actuaries do, what would be the effect of specific departures of actual experience from their assumptions.

Kenneth J. Burton.
Mount Cottage, Hawk's Hill, Fetcham, Leatherhead, Surrey.

Explanation for laymen

From the Chairman, Leslie and Godwin (Life and Pensions).

Sir,—Mr. Raymond Nottage (January 17) and Mr. Michael Evans (January 19) both diagnose a disease in the actuarial profession which they imply is of epidemic proportions. To put it bluntly, they suggested that the majority of actuaries when valuing pension funds simply present their clients with a single figure as the funding rate and imply that the layman has no hope of understanding the esoteric reasons for this figure being right.

I believe they are behind the times. The epidemic has already been brought under control, apart from a few isolated cases. Most actuaries nowadays go to great lengths to explain how their figures are arrived at and what they mean. This communication exercise in my own company extends to discussion with clients of a range of possibilities and we have even gone so far as to produce a full-scale audio visual programme on the subject, and I know that others have done likewise.

David J. D. McLeish.
Fleet House, Victoria Road, Farnborough, Hants.

Positive advice

From Mr. K. Whitehead.

Sir,—Mr. Evans (January 19) protests too much! He is kind enough to allow that a qualified actuary is "trained to assess the implications of (his) assumptions and, through experience, develops his professional judgment in this area," but then goes on to express surprise "that actuaries . . . get away(!) with single answer pension fund valuations."

Far from "getting away" with a single answer I have found that many finance directors and others are less than happy with a "on the one hand 'this' and on the other hand 'that' approach" preferring instead positive advice based on the professionalism, judgment and experience etc. that Mr. Evans kindly draws attention to.

He is not the first to mistake, no doubt through lack of familiarity, the difference between independent and impartial professional advice given to a client by an actuary acting directly in a fiduciary relationship and displays of multiple answers which give the choice (that is, passes on the responsibility) to the recipient.

If, after receiving the actuary's advice a client wishes to see how a variation in a particular set of assumptions would have affected the calculations the actuary will surely produce the figures. These figures are, however, so much arithmetic, and not advice and to the extent that any course of action differs from the original advice the responsibility lies with the client.

Finally Mr. Evans asks a series of rhetorical questions as to how often actuaries approached the contracting in/out issue in particular ways. He says he is familiar with the work of "many actuaries" but, from the nature of his complaints, he is clearly not familiar with the work of all. Could this, by any chance, be because the affairs of a satisfied client and his professional advisers are usually confidential?

K. G. Whitehead.
70, Brook Street, W.1.

Alternative approaches

From Mr. T. Hugh Beech.

Sir,—How right is Michael Evans (January 19) in pointing out the need for actuaries to present cost estimates based on more than one set of assumptions, so that employers can see for themselves the effect of variations in these. In showing the effects of the various alternative approaches to the Castle situation, we presented to a large number of clients "realistic," "optimistic" and "pessimistic" assumptions; with modern computing methods these can be produced by actuaries easily and, just as important, speedily. But judging by a number of reports from other advisers which we have seen, Michael Evans' firm and our own seem to be in a select minority in giving employers sufficient information on which they can make up their own minds.

T. Hugh Beech.
(Director and Company Actuary).
Martin Paterson Associates, 10, Hertford Street, Park Lane, W.1.

Unique firm figures

From Mr. C. Hymans

Sir,—I was interested to read Mr. Nottage's letter (January 17). For some years now, when we do a pension fund valuation on our computer programme we always do the calculations on a number of actuarial assumptions in order to get the feel of how different future experience will affect the financial state of the fund. I would be most surprised if we were the only firm of consulting actuaries to do so. These different results are also very helpful in discussion with pension fund clients but we find more often than not that trustees want a report giving "the actuarial results" as unique firm figures.

C. Hymans.
Hymans Robertson and Co
St. Bartholomew House
92, Fleet Street, E.C.4

Planning an extension

From Mr L. Collett

Sir,—Your legal staff gave rather "chancey" advice to your correspondent planning an extension to his factory (Business Problems, January 18) in suggesting he should proceed with the work provided he is "tolerably sure the extension will be hardly noticeable," and leave the planning authority with the "dilemma whether or not to serve an enforcement notice." It may be their dilemma but it is his money that will be at risk!

The General Development Order, 1977, does (as your correspondent says) permit an extension up to one-tenth of the floor area, but with certain reservations, and if your correspondent is not sure of his position then he should seek advice.

I know well enough the frustration and delays caused by the need to make planning applications and the temptation to go it alone, but your correspondent would be better advised to consider making an application under Section 53 of the Town and Country Planning Act, 1971, to determine whether planning permission is required. Even simpler (and probably quicker if the extension really is innocuous and if plans have to be drawn anyway) would be the making of an application for planning permission.

L. G. Collett.
49 Ingrebourne Gardens, Upminster, Essex

Accounts and their users

From Mr D Cairns

Sir,—Mr. R. Bullard (January 13) suggested that accountants have the responsibility to produce accounts the purpose of which is, among other things, to measure worth. While not necessarily disagreeing with that suggestion, I have grave doubts that the conventional balance-sheet will achieve this. Under the historical cost convention it includes only those items for which we have incurred expenditure. It is a list of unamortised balances and nothing more. Under any proposed current value systems it is little better — the tendency is to revalue only those items for which we have in the past incurred expenditure.

I do not propose that we attempt to value the intangibles which are missing from the balance-sheet but are a major part of many companies' assets.

I prefer to suggest that, if the balance-sheet does not measure present worth, we scrap it completely. What use is an incomplete picture? How can we compare the performance, say, of a manufacturing company, which has mainly tangible assets, with that of a service company, which has as its major asset unrecorded goodwill?

What is wrong with the continuing debate about accounting principles is the assumption that we need balance-sheets (and for that matter profit and loss accounts). Even the Sandilands Report fell into this trap. After setting out clearly and concisely the principles and advantages of an alternative system of cash flow accounting, it rejected such a system because it did not fit within the existing framework of balance-sheet and profit and loss account. Of course, it does not—why should it?

It is not too late to go back to first principles and ask what sort of information is required by users of accounts? Can we not answer the question without being prejudiced by what we are already doing?

D. H. Cairns
12 Fernley Court, Harrow Lane, Maidenhead, Berks.

To-day's Events

GENERAL

EEC Agriculture Ministers begin two-day meeting, Brussels.

President Carter formally presents first U.S. Budget over which he has had full control.

General Agreement on Tariffs and Trade (GATT) multilateral negotiations start in Geneva.

TUC Finance and General Purposes Committee meets.

Prime Minister addresses Age Concern governing body, Shaw Theatre, Euston Road, N.W.1.

Guildhall Magistrates' Court hearing (adjourned from October 27) opens in which two partners in Lewis Altman and Co., stockbrokers, are charged with currency frauds.

Centenary dinner of National Federation of Building Trades Employers, Guildhall, E.C.2.

London Chamber of Commerce Export Finance Panel meets, 69, Cannon Street, E.C.4, 3 p.m.

Mr. Christopher Tugendhat (Member of the Commission of the European Communities) addresses Insurance Institute of London on "The Community and its approach to Insurance," in Hall of Chartered Insurance Institute, 20, Aldermanbury, E.C.2, 5.30 p.m.

PARLIAMENTARY BUSINESS

House of Commons: Debate on agriculture, during which Mr. John Silkin, Agriculture Minister, will announce a devaluation of the "green pound." Motion on developments in EEC civil aircraft sector.

OFFICIAL STATISTICS

Construction: new orders (November). New vehicle registrations (December).

COMPANY RESULTS

Rank Organisation (full year). United Guarantee (Holdings) (full year).

COMPANY MEETINGS

See Week's Financial Diary on page 42.

BALLET

Royal Ballet dance The Dream, A Month in the Country, and Elite Syncopations, Covent Garden, W.C.2, 7 p.m.

MUSIC

Paul Berkowitz gives piano recital of music by Schubert and Brahms, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.

Insurance Orchestra, conductor Maurice Miles, soloist Ralph Holmes (violin), in programme of Mozart (Overture, The Magic Flute); Smetana (Symphonic Poem, Vltava); Dvorak (Violin Concerto in A minor); and Schumann (Symphony No. 3 in E flat), Royal Festival Hall, S.E.1, 7.30 p.m.

Guarneri String Quartet in Mainly Schubert series, Queen Elizabeth Hall, S.E.1, 5.45 p.m.

COMPANY NEWS

CompAir relying on own resourcefulness

The outcome for the current year at CompAir will largely depend on the group's own capacity to continue to improve efficiency and develop new marketing initiatives, says Mr. N. C. Macdiarmid, chairman, in his annual statement.

He tells members that the outlook in world markets remains unsettled and, as usual, includes factors which are a cause of special concern, while at this stage the company can expect little support from any marked improvement in world trade.

As reported on December 15, pre-tax profits climbed from £9.38m. to a record £12.22m. for the 52 weeks to October 2, 1977, on turnover of £129.76m., against £111.95m. for the previous 53 weeks period.

Approaching 70 per cent. of group sales were made in areas with development opportunities and where industrial and political climates are relatively safe and stable for investment, states the chairman.

The directors aim to broaden international activities has been furthered by the previously announced agreement for the group to acquire Watts Regulator Company, of the U.S.

The group's overseas companies generally produced good results, often in difficult trading conditions, and the U.K. companies significantly improved both their domestic and export sales, reports Mr. Macdiarmid.

Australia, operating in a subdued economy, again produced outstanding results, while both Kellogg-American and CompAir Canada did well, he adds.

In Europe, Spain is continuing to prove profitable and the German and French companies made satisfactory progress. Africa again made a good contribution and there was a build-up of business with the Middle East with the Iranian market of growing significance to the group's activities.

Meeting, Institute of Marine Engineers, E.C., February 15 at noon.

Carroll is optimistic of progress

THE DUBLIN-BASED cigarettes, etc., manufacturer, P. J. Carroll, expects to be well placed to continue its progress if expectation are realised, says the chairman, Mr. D. S. Carroll.

Profitability in the tobacco business during the quarter to end December was affected seriously by some price reductions in anticipation of the changes in the duty system and by the decision to delay price increases to cover rising costs. But margins are expected to be restored during the current year and at satisfactory volumes.

The print and packaging business is healthy and the pharmaceutical side is now on a sounder footing, Mr. Carroll reports.

But the working capital required to sustain the latter is high, and it is still necessary to search out ways of reducing it through lower stockholding and less extended debtors.

In the year ended September 30, 1977, group profit came to £4.82m., against £6.83m. in the previous 15 months, but on a current cost basis the figures come down to £3.3m. and £5.37m. respectively.

Referring to the setting up of Fieldcrest Ireland, the chairman says Carroll has a 25 per cent. interest therein at a cost of £4.25m. Medium-term bank loans to finance this has been arranged, and he does not anticipate any need to raise additional capital.

Meeting, Dundalk, February 14 at 11 a.m.

Northern Foods to expand

Continued growth, both organic and through acquisition in the current year, is expected to result in an appreciable improvement in profits for the first six months, states Mr. Nicholas Horsley, chairman of Northern Foods.

For the 12 months to September 30, 1977, group turnover was 12 per cent. higher at £232m. and pre-tax profits 18 per cent. higher at £18m.

Adjusted for inflation, pre-tax profit is shown at £12.9m. and the attributable balance at £6.46m. (historically £8.87m.).

In his annual report, Mr. Horsley tells holders that while there are signs that inflation is abating and the balance of payments improving "it is extremely difficult to forecast trading conditions in consumer food products. However, initial management figures indicate that there should be a very good profit improvement in the first six months."

Mr. Horsley says that assessing accurately the immediate trading prospects for Northern Dairies is difficult because the transitional steps and rearrangements necessary following Britain's full membership of the EEC make it impossible to forecast future profit levels.

While the rate of fall in liquid milk sales in England and Wales is slowing "unless we can have a fairly lengthy period of price stability there could be further serious erosions," he warns.

Meeting, Willerby, near Hull on February 17 at 12.30.

Some Graff holders still fighting

By Christine Moir

Mr. Laurence Graff is not having it all his own way in his latest attempt to buy out the stubborn rump of 200 shareholders in Graff Diamonds, which he wants to take private again after only four years as a public company.

Only 16 per cent. of them have accepted his latest offer of effectively 50p launched in December and he has had to extend the offer to February 2. The number of shares at stake are minor, amounting only to 3.7 per cent. of the total equity, but Mr. Graff has only managed to persuade shareholders to part with 61 per cent. of these (and 45 per cent. had already accepted before the formal offer went out), while the terms of the offer rely on acceptances from at least 90 per cent..

Obviously the remaining shareholders, who were incensed by the first offer of only 28p in mid-1977 are equally opposed to the latest price and are holding out for at least 57p, the price at which the shares were originally floated.

Just in case, though, that any of them may still be confused over the matter, Graff has invited them to phone Hambros Bank for advice. It was Hambros who dubbed the original 28p offer as "fair and reasonable" and also support the new 50p offer.

NSS seeks further acquisitions

Confident that there is an assured place for the confectionery, tobacconist and newsagents outlet in the community, the directors of NSS Newsagents are pressing ahead with further acquisitions, Mr. P. H. Byam-Cook, the chairman, tells members.

Their plans include the opening of four large town centre shops in the current year. Movement into larger shops is necessary not only to ensure long-term growth in profitability but also to provide an attractive career structure for employees, the chairman explains.

Most of the company's larger stores have become profitable within three months of opening he says.

Immediate growth in profits is more easily gained by purchase of existing businesses but the directors are convinced that, if necessary, some reduction in the rate of growth is acceptable when the proportion of store openings is increased.

At the end of 1976-77 the company was trading from 372 branches having acquired 37 established business, opened seven new shops, including one town centre store, and disposed of 21 branches. Capital expenditure on expansion and refitting during the year was £1.389m.

Confectionery sales at the beginning of the year fell back in volume terms because customers were resisting the exceptional price increases introduced by manufacturers. There is some evidence that sales are improving again and price increases have tapered off for the present, Mr. Byam-Cook says.

There is strong competition on certain confectionery lines from supermarkets and other high volume retailers and the directors may be forced to accept some reduction in margins to protect the company's share of the market.

Most of the company's profit continues to be earned from the smaller neighbourhood CTN shops and giving sub post office services in 57 branches.

As reported on December 8, taxable earnings advanced to a record £3.16m. (£2.37m.) for the 52 weeks to October 2, 1977, on sales of £47.00m., against £39.39m. for the previous 53 weeks. The net dividend is lifted to 2.1225p (1.9003359p) per 10p share.

At year-end bank balances and cash amounted to £2.8m. (£2m.).

Meeting, Woking, Surrey, on February 14, at 2.30 p.m.

Staffordshire Soc. progress

In 1977 the Staffordshire Building Society increased its home loans by £3m. to £19m., but still had to be restrictive because the demand exceeded the supply of funds available. A further £4m. is awaiting completion.

Receipts from savers and investors rose 30.8 per cent. to £57.6m., while the total of net new investment exceeded £16.7m.

Assets at the year end stood at £112m. compared with £92m. at the end of 1976.

Associated Biscuits reorganisation

Associated Biscuits has reorganised its sales and marketing structure with effect from January 9.

The reorganisation is designed to enable the company to compete more effectively and profitably in the grocery market and to streamline the sales, distribution and marketing functions.

Richard Griffiths, marketing director, is confident that the reorganisation has created a platform from which to conduct a relevant sales and marketing strategy geared to to-day's requirements.

He says the group has a proven sales force, trimmed to deal with the particular trading conditions prevailing in to-day's market and has a marketing department closely geared to profit and with a clear policy for the future.

He feels sure that the group will see a significant uplift in product performance during the next 12 months.

IN BRIEF

ALEX LAWRIE FACTORS—Results for the year to September 30, 1977, reported December 22. Group fixed assets £136,061 (£112,776). Current assets £19.73m. (£14.48m.). Current liabilities (£13.47m.).

DELSON AND CO.—Results for the year to July 31, 1977, already reported. Group fixed assets £1.56m. (£1.58m.). Net current assets £318,229 (£256,829). Meeting, Birmingham on February 17 at 11.30 a.m.

MARTIN THE NEWSAGENT—Results for the year to October 2, 1977, reported December 13. Group fixed assets £10.89m. (£8.23m.). Current assets £5.33m. (£6.38m.). Current liabilities £6.34m. (£5.66m.). Meeting, Connaught Rooms, W.C., on February 15 at noon.

PLAXTONS (SCARBOROUGH)—Results for the 37 weeks to October 2, 1977, reported December 21. Group fixed assets £1.33m. (£1.2m.). Net current assets £4.34m. (£3.26m.). Meeting, Scarborough on February 17 at 2.30 p.m.

BARRINGTON FUND—Final distribution on income units for year to January 4, 1978 3.488p net per unit (2.811p). Total distribution 5.988p (4.811p). On latest subscription day, January 11, offered price of income units 212.1p xd. Estimated gross yield 4.16 per cent.

Protection plan for 'options' investors

BY MARGARET REID

ARRANGEMENTS TO protect investors against the possibility of any default by a participant in London's proposed new market in traded share options are referred to in a letter just received by stock market firms from the Stock Exchange. The letter also indicates that the Podium 3 on the Exchange's floor is to be used for options trading.

Deals will be fixed by "open outcry," the method developed on the Chicago Board Options Exchange, by which prices of options are arrived at after bids are called out by market dealers. Initially, options will be traded in eight-to-10 quoted securities of large companies.

The Stock Exchange's recent shouldering of responsibility for the new market is apparent from the letter, the first of its kind sent out on the subject. Its despatch marks a further step towards making the sometimes-controversial option-market scheme a reality.

The Exchange's Council is known to be determined that the venture, scheduled to start in April should be so run as to carry protection against any risks of market-rigging or malpractices of the kind which have attracted controversy in the U.S.

The Council is as concerned as the Government and the Bank of England that the British traded options enterprise should only get off the ground when proper safeguards for investors exist. Further elaboration of safeguards is expected in the weeks ahead.

Stock Market firms are told in the letter that the clearing of traded options is a specialised function which will be carried out solely by clearing members approved by the Council.

Clearing members of the options market will have to provide evidence of their financial and technical ability to clear options and to guarantee the transactions of others for whom they carry out a clearing function. One idea being considered as a safeguard against consequences of any possible default, is that clearing members should put up guarantees of, say, £250,000 against any danger of any participant being declared a defaulter.

While this type of guarantee arrangement is being considered for the initial stages of the market, it is envisaged that, once the venture is in operation, a guarantee fund should be built up relating each clearing member's guarantee to the clearing house to the size of its commitments in the shape of its open positions.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—New Witwatersrand Gold Exploration.

Finals—Alexanders Discount, Hallam Sleigh and Cheston, A. Kershaw, Rank Organisation, Rank Precision Industries, United Guarantee.

FUTURE DATES

Interims—	
Ivory Property	Jan. 26
Kuala Kellas Rubber Estates	Feb. 2
Malaysia Rubber	Feb. 2
Manson Finance Trust	Jan. 26
Sylvone	Jan. 30
Warwick Engineering Investments	Jan. 26
Finals—	
Edinburgh American Assets Trust	Jan. 25
Glass Glover	Jan. 24
Hill and Smith	Feb. 2
Throgmorton Trust	Jan. 28

B. Wardle buys from Champion

Champion Associated Weavers, whose U.S. parent was recently rumoured to be selling the company only a matter of years since it acquired it, is in fact, selling the manufacturing assets of one of its divisions, Armoride. The buyer is Bernard Wardle, which is paying £2.6m. for the assets and stock of Armoride which makes PVC sheeting and vinyl leathercloth.

Wardle says that the purchase will expand the range of products offered by its own Everflex and Duraplex divisions, and will increase manufacturing capacity in these areas by 50 per cent. Last year turnover of Armoride amounted to £10m.

The fixed assets and stocks being acquired had a total book value of £3.7m. at Armoride's last balance sheet date, end November 1977. Wardle will pay £1.88m. for the fixed assets, including land and buildings, of which £700,000 will be deferred until 1984 and been lent back to Wardle as a secured loan by Champion.

The price paid for the stocks is dependent on the physical stock take at the end of this month but should not differ materially from those held at the end of last October. On that basis Wardle will pay £720,000 for them.

McMullen scheme to ensure independence

HERTFORD-BASED brewers McMullen and Sons, whose shares are held by the family or by the pension fund—has come up with an ingenious arrangement for side-stepping the problems which arise when the transfer of shares creates a liability to capital gains or capital transfer tax.

Proposals have been sent out to the 40-odd shareholders, suggesting that the existing capital should be split equally between Ordinary and a new class of non-voting Preferred Ordinary shares. These latter could, if necessary, be sold to meet tax and other obligations without jeopardising the company's independence.

The new shares are to cary a high minimum dividend which will give them attractions in the eyes of the institutions which specialise in such holdings. McMullen has already talked with Estates Duty Investment Trust and—not surprisingly in view of an excellent record of profits growth—received a ready hearing.

Under certain strictly controlled circumstances the new Preferred Ordinary shares might receive voting rights: but McMullen makes no secret of the fact that its objects in devising this scheme has been to eliminate any risk of a takeover by the bigger brewing battalions.

ATKINS BROS.

Jolynne, a knitwear distributing company in the Atkins Brothers (Hosiery) group, is to cease to operate in its present form after the current season's trading, though trading will continue with some of its larger customers.

None of the manufacturing activities of the parent company of Jolynne, Atkins of Hinckley, are affected in any way, the move being intended to ensure a better utilisation of the group's capital resources for expansion purposes.

LLOYDS AND SCOTTISH

Lloyds and Scottish has acquired Bank America Factors whose name will be changed to Independent Factors.

Mr. T. G. Hutson, a director of International Factors and International Factors A/S Denmark, has been appointed managing director of the company.

Record exports

THE PORT of Shoreham handled record exports of nearly 120,000 tonnes last year, 15 per cent. up on 1976.

Exports of scrap metal were the highest for 20 years and exports of general cargo were the highest ever. Bulk commodities imports remained the major part of the port's trade at 2.2m. tonnes.

APPOINTMENTS

Group changes at Bowater

Mr. Michael J. S. Robertson has been appointed sales and marketing director of BOWATER CONTAINERS. Mr. Robertson joined Bowater Containers in May 1974 as general manager of the Stevenage plant, a position he has held up to the date of his new appointment. Prior to joining Bowater he was marketing director of Inter-Continental Fuels and before that Oil and Development director of John Hudson and Co. Mr. Robertson is succeeded as general manager of the Stevenage plant by Mr. W. P. Long, who was until his new appointment commercial manager.

*

Mr. Jack Simpson has been appointed works director of FELL AND BRIANT.

*

Two new appointments have been made to the Board of F. HILLS AND SONS, a wholly-owned subsidiary of the Bowater Corporation. Mr. C. G. Banks, formerly sales and marketing executive has been appointed sales director and Mr. W. H. Hodgson formerly personnel executive becomes personnel director.

*

Sir Robert Mark has been elected a director of FOREST MERE and will become its chairman with effect from March 1. Mr. Richard Hargreaves, a director of Forest Mere since 1974, has been appointed managing director.

*

Mr. D. B. Drage has been appointed their first director by the Council of the EUROPEAN ASSOCIATION FOR INDUSTRIAL MARKETING RESEARCH (EVAF). Mr. Drage was until recently HQ administration manager of Ransome Hoffmann Pollard and prior to that manager, economic intelligence department, the English Electric Company.

*

Mr. Simon D. Orme has been appointed managing director of LONSDALE SYSTEMS, the newly created U.K. subsidiary of SDI Associates, the Canadian computer services organisation.

*

LONSDALE UNIVERSAL has formed two new divisional companies, Lonsdale Printing and Lonsdale Plastics to supervise their expanding interests in printing and film plastics. The printing Board is to include three senior directors from Lonsdale's specialist printing subsidiaries Mr. H. Dowding, Mr. J. B. Hepworth and Mr. J. Irving, with group director Mr. R. N. Jones as chairman. Similarly, the film plastics Board is to comprise Mr. J. K. Prince and Mr. R. W. Preedy from Lonsdale's film plastics subsidiaries with group director Mr. D. Flint Wood as chairman. Lonsdale Universal Stationery the commercial stationery divisional company has changed its name to Universal Stationery (Holdings) and Mr. R. G. Ford and Mr. T. M. Johnson have been appointed to this Board. In subsidiary companies, the following appointments have been made: Mr. R. J. Field and Mr. D. Price to the Board of Lonsdale Tolpaks; Mr. J. N. Dinning to the Board of Lonsdale Business Forms and Mr. D. Ashton to the Board of Combridge Jackson.

*

Mr. D. J. Warbrick has been appointed a director of THE BRITISH AVIATION INSURANCE COMPANY on the resignation, in view of his many commitments of Mr. J. N. H. Hay.

Carlsberg U.K. profits up by £800,000

BY KENNETH GOODING

CARLSBERG, the only Continental group with its own brewery in Britain, made profits of £1.3m., after interest and depreciation, on its U.K. operations in the year to September 30. This compares with £500,000 in the previous 12 months.

Sales of Carlsberg U.K. rose from £31.2m. in the previous year to £36.3m.

Carlsberg says that the U.K. company's profit is "developing satisfactorily" However, the accounts show a net loss of some £300,000 because they included an exchange loss on repayment of loans to the parent company in Denmark at the rate of exchange in force when the loans were made.

Carlsberg is part of United Breweries in Denmark, which also owns Tuborg. It has invested £27m. in its showplace brewery at Northampton since 1972.

A further £7m. investment programme is under way to lift capacity to 2m. barrels a year (576m. pints), compared with the 1.5m. barrels (432m. pints) it could produce, and on new canning facilities.

Carlsberg started the Northampton project in partnership with Watney, the Grand Metropolitan subsidiary, but now has 100 per cent. ownership

Apart from taking Carlsberg lager for its Watney-Truman pubs, Grand Met. is also brewing the beer under licence at its Stepney brewery.

A £4m. expansion is also taking place at the Grand Met. brewery in Halifax and when this is complete next year, Carlsberg lager will also be brewed there.

Award for steam railway group

PETERBOROUGH RAILWAY Society has won the 1977 award of the Association of Railway Preservation Societies for a member society which has made an outstanding contribution to railway preservation.

It was given the award for reopening the railway from Wansford to Orton Mere as the Nene Valley Railway and operating Continental steam locomotives.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
Poole (02013 5151)	%		£	Yrs.
Poole (02013 5151)	9¼	½-year	500	[illegible]
Redbridge (01-478 3020)	9½	½-year	500	[illegible]
Thurrock (0375 5122)	10	½-year	200	[illegible]
Thurrock (0375 5122)	9¾	½-year	500	[illegible]
	10	½-year	500	[illegible]

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£5,000 accepted for fixed terms of 3-9 years. Interest paid gross, half-yearly. Rates for deposits received not later than 3.2.78.

Terms (years)	3	4	5	6	7	8	9
Interest %	9¼	9¾	10¼	10½	10¾	11	11¼

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI". FFI is the holding company for ICFC and FCI.

Pending dividends timetable

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
Albright and Wilson	Feb. 16	Final 2.289
*Alexanders Discount	Jan. 23	Final 9.329
Anglo-American Secs	Feb. 9	Sec. int. 1.64
*BAT Inds.	Jan. 31	Final 4.725
BTR	Mar. 1	Final 3.25
Burmid Qualcast	Feb. 10	Final 3.763
*Brit. Enkalon	Feb. 21	Final nil
*British Sugar	Jan. 26	Final 4.645†
British Vita	Mar. 3	Final 1.95
*Brown (John)	Jan. 27	Int. 2.6
*Carrington Viyella	Feb. 22	Final 1.3475
*Comcl. Bank of Aust.	Feb. 23	Int. 8 cents
Commercial Union	Mar. 1	Final 5.081 fcst.
Corah	Mar. 4	Final 0.7
Daejan	Jan. 27	Int. 1.1375
Dalgety	Feb. 10	Int. 5.2393
*Davy Internatl.	Jan. 24	Int. 2.1
Debenture Corpn.	Feb. 17	Final 1.9
Decca	Feb. 8	Int. 3
*Dowty Group	Feb. 7	Int. 1.98
Estates Prop. Inv.	Feb. 23	Int. 0.5
EMI	Mar. 3	Int. 3.41
*Fitch Lovell	Jan. 26	Int. 1.144
Foreign and Colonial Tst.	Feb. 16	Final 2.05
Gillett Bros. Discount	Feb. 23	Final 8.125
*Guinness Peat	Jan. 26	Int. 3.5
Johnson & Firth Brown	Mar. 4	Int. 4.663 fcst.
*Hambro Trust	Jan. 24	Int. 0.5
*ICI	Feb. 23	Sec. int. 6.79035
*Imperial Group	Feb. 7	Final 3.318
*Inchcape	Jan. 26	Int. 6.523
*Lloyds Bank	Feb. 17	Final 4.422
Marchwiel	Feb. 21	Final 2.15
Midland Bank	Mar. 4	Sec. int. 7.6258
*MEM Holdings	Jan. 24	Int. 3 cents
*NatWest Bank	Feb. 28	Final 5.6623
Neepsend	Feb. 25	Int. 0.6375
Notts. Mfg.	Feb. 14	Final 2.0732
Plessey	Jan. 27	Sec. int. 2.2
Prestige	Feb. 1	Final 3.25
Provident Financial	Feb. 21	Sec. int. 4.4233
*Rank Orgn.	Jan. 23	Final 4.9293
Ransomes Sims & Jefferies	Feb. 28	Final 5.345
Rentokil	Mar. 1	Final 1.3
River and Merc. Trust	Feb. 17	Final 4.5
Royal Insurance	Mar. 1	Final 8.896
Scot. Utd. Inv.	Feb. 5	Final 1.2
Sedgwick Forbes	Feb. 28	Final 6.09 fcst.
Smiley (B.) Inv. Tst.	Feb. 17	Int. 1.65375
*Tate and Lyle	Jan. 25	Final 3.71
Trust House Forte	Feb. 9	Final 5.6
Unilever	Mar. 1	Final 7.01
*Union Discount	Jan. 25	Final 11.876
Utd. Real. Prop.	Mar. 2	Int. 1.23
Wagon Finance	Jan. 28	Final 3.75

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Hard work saving cash by switching out lights

THE LIGHTING BILL of the average family's three-bedroom house, taken over the whole year is only 16p or 17p a week, according to a Readers Digest survey published to-day.

People hoping to cut costs would do far better by getting rid of the deep freeze than keeping lights switched off. Unless bulk buying cuts the shopping bill by 50p a week the freezer was running at a loss.

The figures are based on the national average electricity cost of 2.64p a unit and on Electricity Council and Department of Energy information.

Other examples of what it calls the "shocking" price of electricity are:

- Hot water, from a 3kw immersion heater—£1.50 a week;
- Dish-washer—40p a week;
- Shower with its own hot-water supply—40p a week;
- Refrigerator—27p a week
- A colour television—25p a week;
- A front-loading automatic washing machine—28p a week.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing Price p	+ or −	Div. F. or Amount	Times covered	Gross Yield	P/E Ratio
[illegible]	F.P.	—	470	352	ERGO (R0.50)	430	......	F25c	—	3.9	—
[illegible]	F.P.	20/1	125	109	Farmer (S.W.)	125	+1	b7.59	2.3	9.2	7.1
[illegible]	F.P.	27/1	58½	53	I.M.I.	60	+1	d3.29	2.7	8.3	6.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. Date	1977/8 High	1977/8 Low	Stock	Closing price £	+ or −
[illegible]	—	—	100½	100½	Agric Mort. Variable 1983	100½	......
[illegible]	F.P.	3/2	102¾	98	Bath 11½% 1985	102½	−¼
[illegible]	F.P.	27/1	60	90	Central & Sheerwood 10% Uns. Ln. 1981	60	......
[illegible]	£60	3/3	61¼	57½	Grampian Reg. 10½% 1985	61	−¼
[illegible]	F.P.	—	99	98½	Hounslow Variable 1982	98½	......
[illegible]	F.P.	—	$97½	$96¼	Inco 8½% Notes 1984	$96¼	......
[illegible]	F.P.	—	$97½	$96¼	Do. 9% Deb. 1992	$96¼	......
[illegible]	£10	24/3	15⅝	11¼	Kensington & Chelsea 11½% 86-87	14½	−⅜
[illegible]	—	—	100½	99½	Do. Do. Variable '82	100⅝	......
[illegible]	—	—	100	99½	Leeds Variable 1982	100	......
[illegible]	—	—	100	100½	Leicester Variable 1982	100	......
[illegible]	F.P.	3/3	101½	100½	Mid Kent Water 7% 1982	101½	......
[illegible]	F.P.	4/2	102½	98	St. Helens 11½% Red. 1985	102¼	−¼
—	F.P.	—	$97½	$95	Shell Intl. Fin. N.V. 8½% Guar. Notes 1990	$96¾	......
—	F.P.	27/1	104½	99½	Stag Furniture 10% Cum. Pref.	104½	+½
[illegible]	F.P.	—	100⅛	100⅛	Tameside Variable 1983	100½	......
[illegible]	£10	28/4	10⅝	10¼	Do. 10½% Red '84-5	10⅝	−¼
—	F.P.	6/1	107½	106p	York Trailer 10% Pref.	106	......

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. Dates ●	Latest Renunc. Dates ■	1977/8 High	1977/8 Low	Stock	Closing Price p	+ or −
[illegible]	nil	31/1	24/2	26pm	22pm	Arlington Motor	26pm	......
[illegible]	F.P.	16/12	27/1	39	32½	Bridport Gundry	38	+1
[illegible]	F.P.	6/1	10/3	76	66	Cableform	76	+5
[illegible]	F.P.	23/1	27/2	51	38pm	Christy Bros	46	......
[illegible]	nil	24/2	10/3	52½	36pm	Comml. Bank of Australia	42pm	−1
[illegible]	nil	13/1	10/2	25pm	10pm	Edbar Industrial	18pm	......
[illegible]	nil	24/1	6/2	¼pm	¼pm	Johnson & Barnes	¼pm	......
[illegible]	F.P.	29/12	27/1	65	54	Johnson Firth Brown	63	+1
[illegible]	F.P.	6/1	10/2	81	71	Kenning Motor	81	+½
[illegible]	nil	1/2	—	31pm	26pm	L.R.C. International	31pm	......
[illegible]	nil	26/1	9/3	30pm	20pm	Muirhead	29pm	+4
[illegible]	nil	17/2	3/3	65pm	43pm	National Bk. of Australasia	48pm	+1
[illegible]	F.P.	23/12	18/1	33½	24	Pawson W. L.	32	......
[illegible]	nil	—	—	20pm	15pm	Preedy (Alfred)	20pm	+5
[illegible]	F.P.	18/1	3/3	40	37¼	R.C.F.	40	+1
[illegible]	F.P.	16/12	27/1	90	84	Record Ridgway	84	......
[illegible]	F.P.	19/11	16/2	15	11	Sturla (Geo.)	15	+1
[illegible]	F.P.	12/12	18/1	295	257	Utd. Scientific	288	......
[illegible]	F.P.	5/1	27/1	43	36	Williams (J. Cardiff)	42	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of Ordinary shares as a "rights." ** Rights by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ||| Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel §	6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	7 %
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce. ‖	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8½%
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk Canada Trust	6½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	7 %
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
Charterhouse Japhet	6½%	Shenley Trust	9½%
C. E. Coates	7½%	Standard Chartered	6½%
Consolidated Credits	7½%	Trade Dev. Bank	6½%
Co-operative Bank *	6½%	Trustee Savings Bank	6½%
Corinthian Securities	6½%	Twentieth Century Bk.	7½%
Credit Lyonnais	6½%	United Bank of Kuwait	6½%
The Cyprus Popular Bk.	6½%	Whiteaway Laidlaw	7 %
Duncan Lawrie ¶	6½%	Williams & Glyn's	6½%
Eagil Trust	6½%	Yorkshire Bank	6½%
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	9 %		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	6½%		
Goode Durrant Trust	7½%		
Greyhound Guaranty	6½%		
Grindlays Bank ‡	6½%		
Guinness Mahon	6½%		
Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%. 1-month deposits 3¼%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4¼%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.
‖ 7-day deposits 3¼%. Rates for Term Deposits over £1,000 negotiable.

INTERNATIONAL COMPANY NEWS

Astra earnings rise in 1977

BY JOHN WALKER

STOCKHOLM, Jan. 22.

ASTRA, the Swedish pharmaceutical group, reports a 12 per cent. increase in pre-tax earnings to Kr.115m. (£12m.) in its preliminary result for 1977. This follows an 18 per cent. rise in sales to Kr.1.7bn. from Kr.1.4bn. in 1976. Sales last year were better than forecast.

Group sales in 1978 are forecast to rise to between Kr.2bn. and Kr.2.1bn., equal to an increase of between 14 per cent. and 20 per cent., the managing director, Mr. Ulf Windengren, reports. The calculated net profit per share amounts to Kr.17 for 1977 compared with Kr.15 for the previous year. Investments in 1977 in the group's buildings, machinery and inventories amounted to Kr.125m. and are planned to be stepped up to about Kr.160m. in 1978. The concern's liquid assets amounted to Kr.180m. at the end of December, compared with Kr.172m. at the end of 1976.

Sales in the pharmaceutical division in Sweden showed a 10 per cent. increase to Kr.489m., while exports went up by 20 per cent. to Kr.788m. The chemical-technical division's 14 per cent. increase in sales last year to Kr.300m. was lower than anticipated but the Varia division showed a 32 per cent. rise in sales to Kr.179m.

Northern Telecom gain

BY ROBERT GIBBENS

MONTREAL, Jan. 22.

NORTHERN TELECOM, the manufacturing arm of Bell Canada with one-third of its stock in public hands, earned $C19.8m., or 75 cents a share, in the fourth quarter, against $C16.7m., or 63 cents, a year earlier, excluding special items in both periods. Sales were $C321.4m., compared with $C279.5m.

Earnings for all 1977 were $C81.8m., or $C3.09 a share against $C73.9m., or $C2.79, excluding special items, on sales of $C1.27bn., compared with $C1.11bn.

Results for 1977 include Cook Electric of the U.S., acquired in December, 1976, and Bell-Northern Research.

Hoogovens short-time working

BY CHARLES BATCHELOR

AMSTERDAM, Jan. 22.

HOOGOVENS, the Dutch arm of the loss-making Dutch-German steel group Estel, plans a further six-week period of short-time working starting on January 29. It will affect 10,700 of the 23,000 workforce at its steel mill on the coast at Ijmuiden.

These workers will on average have an 18 per cent. shorter working week. This will be the fifteenth six-week period of short time at Hoogovens since the company began cutting back production in March 1975. At present 17,000 of the plant's personnel are working at 27 per cent. of normal level.

Hoogovens steel division has been working at only 60 per cent. of capacity in the past year. It produced 4.6m. tonnes of crude steel in 1977, 300,000 tonnes less than in 1976. The Estel group expects a record loss in the whole of 1977 after a loss of Fls.262m. in the first nine months.

Toshiba profits down sharply

TOKYO, Jan. 22.

TOKYO SHIBAURA Electric Company (Toshiba) consolidated net profits for the first-half ended September 30, fell sharply to Y134m., down by 95 per cent. from the Y2.845bn. in the same period a year earlier, and by 81 per cent. from the Y724m. in the previous six months period.

Toshiba said the sharp drop in net profit for the half year was mainly due to sluggishness in sales of home electric products and communications equipment.

Foreign exchange losses were also an unfavourable factor, according to the company. Toshiba suffered from about a Y4bn. foreign exchange loss as a result of the steep rise of the yen's value against the dollar in the half year.

Consolidated sales in the half-year rose Y726.582bn., up 9 per cent. from Y666.335bn. in the year-earlier period, and by 1 per cent. from Y717.867bn. in the preceding six months.

Exports showed a year-to-year increase of 38.1 per cent. to total Y158.465bn., compared with Y114.774bn. a year earlier and were up 16.2 per cent. from the Y136.324bn. in the preceding six months.

Sales of home electric products during the half rose 2 per cent., to Y290.644bn. from Y284.819bn. in the same period a year earlier, and showed a 1 per cent. gain over the Y287.855bn. in the previous six months.

Heavy electricals sales increased 36.8 per cent. on the year, to Y184.824bn. from Y135.085bn. and were up by 3.7 per cent. from the previous half-year figure of Y178.176bn.

AP-DJ

Money and Exchanges

Bank of England Minimum Lending Rate 6½ per cent. (since January 6, 1978)

Bank of England Minimum Lending Rate has been at 6½ per cent. for two weeks, but how long it will remain there is open to question. It is generally thought that the market prefers MLR to be in a round figure, and a fall to 6 per cent. cannot be ruled out in the near future, even possibly by the end of this week, although a cut to 6¼ seems more likely. The money supply figures, announced last week, were roughly in line with the expected growth, and although outside the target range, were not as bad as may have been expected in some quarters.

Interest rates eased slightly on Thursday, after the money supply figures were published, but it was hard to judge how far sentiment had improved. The Treasury bill tender was looked at to give guidance, and the average rate of discount was only slightly above the trigger point for a cut of ¼ per cent. in MLR.

Earlier last week the market was described as morbid and even moribund, giving rise to the thought that perhaps a period of stability could be beginning. This is something that the market has learned to live without over a very long period. Capital profits have been easy to come by for the discount houses, but making a running profit, that is a profit on investments over the average cost of money, has been another matter. Day-to-day money has been expensively close to the level of MLR for some time. The scope for making capital profits is now much reduced and therefore the houses will be relieved to see any indication of an easing of the overnight credit situation.

If this should happen, but at the same time threaten to bring with it a cut in MLR, there should be ample opportunity to prevent it this week. A major doubt remains the attitude of the authorities, since a fall in MLR may stimulate gilt-edged sales, but create further problems over money supply.

The Bank of England will obviously keep a close watch on events in the U.S., where there was speculation, at the time of President Carter's State of the Union address, that the Federal Reserve discount rate may be raised again to reinforce support for the dollar.

Initial reaction to the President's speech was that it contained nothing new, and this depressed the dollar in the Far East before Europe began trading. Trading was rather thin, however, partly because of the lack of business in New York, with several banks reported to be closed on Friday as a result of the snowstorm which crippled the city. Morgan Guaranty in New York still managed to calculate the dollar's trade-weighted depreciation since the Washington Currency Agreement, which narrowed to 4.51 per cent. from 4.77 per cent. on the previous Friday.

European central banks intervened to support the dollar during the week, including the Swiss National Bank on Friday, as the dollar touched a low point of Sw.Frs.1.9825 before closing at Sw.Frs.2.0025, compared with Sw.Frs.1.9737½ on the previous Friday.

Sterling was unchanged on balance, finishing the week at $1.9320-1.9330. Its trade-weighted index rose to 66.1 from 65.8, according to Bank of England figures.

Jan. 20 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	6-12	—	—	—	6¾	6-6⅛	—	—	—
2 days notice	—	—	6⅛-6¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	6⅛-6⅝	6⅛-6⅜	—	6¼-6¾	6¾	5⅞-6⅜	—	—	—
One month	6 3/16-6 1/16	6⅛-6⅝	6¼-6⅜	6¾-6⅜	6⅜-6⅝	6⅝	6-6⅛	5 29/32	6 1/16-6¼	6¾
Two months	6¼-6⅛	6⅛-6⅜	—	6¾-6¼	6 7/16-6 1/16	—	6	5¾-5 25/32	6⅛	6¾
Three months	6⅛-6	6⅛-6¼	6⅛-6¼	6¾-6⅛	6¼-6⅛	6⅝	5⅞-6	5 25/32	5 31/32-6	6¾
Six months	6⅜-6¼	6⅝-6⅝	6⅜-6⅛	6⅝-6	6⅝-6⅞	—	—	—	6 1/16-6 1/32	6¾
Nine months	6 11/16-6⅛	6¾-6⅞	—	6⅞-6⅝	7¼	—	—	—	—	—
One year	6¾-6⅝	6 13/16-7⅛	6⅞-7⅛	7⅛-6¾	7½	—	—	—	—	—
Two years	—	—	8-8 1/16	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 9-9½ per cent.; four years 10-10¼ per cent.; five years 10½-10 9/16 per cent. Φ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 6 1/32-6 1/16 per cent.; four-month trade bills 6¾ per cent. Approximate selling rate for one-month Treasury bills 5 29/32 per cent.; two-month 5 13/16-5 25/32 per cent.; and three-month 5 23/32 per cent. Approximate selling rate for one-month bank bills 6 1/16-6¼ per cent.; two-month 6-6 1/16 per cent.; and three-month 5 31/32-5 29/32 per cent. One-month trade bills 6¾ per cent.; two month 6¾ per cent.; and also three-month 6¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 6½ per cent. from January 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.7747 per cent.

FOREIGN EXCHANGES

Jan. 20	Bank Rates %	Market Rates Day's Spread	Market Rates Close
New York	6½	1.9310-1.9415	1.9320-1.9330
Montreal	7½	2.1340-2.1455	2.1340-2.1350
Amsterdam	4½	4.37½-4.41	4.39-4.40
Brussels	5½	65.45-65.85	65.50-65.60
Copenhagen	8	11.15-11.18	11.15½-11.14½
Frankfurt	3	4.0.1½-4.12	4.09½-4.10½
Lisbon	15	77.40-78.40	77.50-77.90
Madrid	8	155.80-156.20	155.90-156.00
Milan	11½	1,684-1,692	1,684½-1,685½
Oslo	6	9.96-10.00	9.97-9.98
Paris	9½	9.15½-9.17	9.14½-9.15
Stockholm	8	9.00½-9.04½	9.00½-9.01½
Tokyo	4¼	462-475	466½-468½
Vienna	5½	29.50-29.55	29.38-29.48
Zurich	1½	3.83½-3.88	3.86½-3.87½

‡Rates given are for convertible franc. Financial franc 63.53-63.73.

OTHER MARKETS

			Notes Rates
Argentina	1208-67-1208	Argentina	1150-1250
Australia	1.6944-1.7116	Austria	29-30
Brazil	30.82-31.02	Belgium	62¾-65¾
Finland	779-780	Brazil	32-35
Greece	62.894-70.594	Canada	2.12½-2.14½
Hong Kong	8.90-8.95	Denmark	11.05-11.25
Iran	132-138	France	9.10-9.25
Kuwait	0.537-0.547	Germany	4.00-4.15
Luxembourg	65.5-65.6	Greece	76-81
Malaysia	4.572-4.592	Italy	1650-1750
N. Zealand	1.88-1.90	Japan	460-480
Saudi Arab.	6.68-6.76	Netherlands	430-445
Singapore	4.5030-4.5280	Norway	10.0-10.10
S. Africa	1.6718-1.6977	Portugal	83-95
U.S.		Spain	155-164¼
Canada		Switzerland	360-390
C.S.		U.S.	1.92½-1.9
U.S. cents	90.50-90.53	Yugoslavia	57½-53

Rate given for Argentina is a free rate.

GOLD MARKET

	Jan. 20	Jan. 19
Gold Bullion (a fine ounce) Close	$172¾-173½	$173-173¾
Opening	$173¾-174½	$172¼-173
Morning fix'g	$173.50 (£89.607)	$172.85 (£89.858)
Aftern'n fix'g	$173.05 (£89.547)	$173.45 (£89.708)
Gold Coins domestically Krugerrand	$178¾-180¾ (£92½-93½)	$178¼-180¼ (£92¼-93¼)
New Sov'gns	$54-56 (£28-29)	$55½-55½ (£27¾-28¾)
Old Sov'rgns	$52½-54½ (£27¼-28¼)	$53¼-54¼ (£27.28)
Gold Coins (Internat'lly) Krugerrand	$178¾-180¾ (£92½-93½)	$178¼-180¼ (£92¼-93¼)
N'w Sovr'gns	$53½-55½ (£27¾-28¾)	$53¼-55¼ (£27½-28½)
Old Sovr'gns	$52½-54½ (£27¼-28¼)	$52½-54½ (£27-28)
$20 Eagles	$255½-258½	$255-258

EXCHANGE CROSS-RATES

Jan. 20	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.1225-40	44.80-90	6.44-45	4.113-113	35.33-45	105.65-95
New York	47.13-18	—	21.10-15	3.036-058	1.9330-9320	44.00-10	49.87-97
Paris	22.33-05	4.7245-7265	—	14.361-385	9.14-15	20.07-57	236.0-60
Brussels	15.49-54	32.91-96	6.95-98	—	65.63-30	14.57-62	16.41-50
London	4.093½-103½	1.932-933	9.14-15	65.50-60	—	4.39-40	3.86½-87½
Amst'dam	87.06-11	2.2704-7	48.025-075	6.885-3.800	4.3975-4075	—	113.375-425
Zurich	94.0754-56	2.0075	42.25-65.44	6.0744-1000	3.866-3.866	88.0663-478	—

U.S. $ in Toronto U.S. $ = 110.40-44 Canadian cents.
Canadian $ in New York = 90.48-50 cents. U.S. $ in Milan 872.00-50
Sterling in Milan 1633.25-1634.75

FORWARD RATES

	One month	Three months
New York	0.10-0.20 c. dis	0.30-0.40 c. dis
Montreal	0.08-0.18 c. dis	0.20-0.30 c. dis
Amst'dam	1 c. pm-par	2¾-1¾ c. pm
Brussels	5-15 c. dis	15-30 c. dis
Cop'nhgn	11-13 ore dis	30-32 ore dis
Frankfurt	1⅜-⅝ pf. pm	4-3 pf. pm
Lisbon	65-165 c. dis	300-600 c. dis
Madrid	95-165 c. dis	410-510 c. dis
Milan	14-22 lire dis	42-50 lire dis
Oslo	8½-10¾ ore dis	27-29 ore dis
Paris	3¼-4¼ c. dis	13-14 c. dis
Stockh'lm	3¼-5¼ ore dis	11-13 ore dis
Vienna	7-17 gro dis	15-35 gro dis
Zurich	3¼-1¼ c. pm	5½-4½ c. pm

Six-month forward dollar 0.67-0.77c dis. 12-month 0.80-0.90c dis.

EURO-CURRENCY INTEREST RATES*

Jan. 20	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss franc	W.German mark
Short term	n.a.	6-7	6⅞-7⅛	4½-4¾	par-¼	3⅛-3⅜
7 days notice	n.a.	6⅝-7⅝	7-7¼	4½-4¾	par-½	3⅛-3⅜
Month	6¼-6¾	6⅝-7	7¼-7½	4⅜-4⅝	⅝-⅞	3⅛-3
Three months	6½-7	6⅞-7¼	7¼-7½	4⅜-4⅝	1½-1¾	3⅛-3⅜
Six months	6½-7⅛	7⅛-7⅝	7½-7¾	4⅜-4⅝	1⅞-1⅞	3⅛-3⅜
One year	7¼-7¾	7⅛-7⅝	7⅝-7⅞	4½-5	2⅛-2⅜	3⅛-3⅜

Euro-French deposit rates: two-day 9½-9½ per cent.; seven-day 10-10½ per cent.; one-month 10½-11 per cent.; three-month 12½-12⅞ per cent.; six-month 13 1/16-13 5/16 per cent.; one year 13½-13⅞ per cent.

Long-term Eurodollar deposits: two years 8-8½ per cent.; three years 8½-8¾ per cent.; four years 8 3/16-8 5/16 per cent.; five years 8½-8⅝ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 6.95-7.05 per cent.; three-month 7.15-7.25 per cent.; six-month 7.45-7.55 per cent.; one-year 7.70-7.80 per cent.

* Rates are nominal calling rates

† Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

CURRENCY RATES

	Special Drawing Rights January 20	European Unit of Account January 20
Sterling	0.626879	0.632084
U.S. dollar	1.21207	1.22225
Canadian $	1.33934	1.35157
Austria sch.	18.4750	18.6220
Belgian franc	39.9347	40.2701
Danish krone	6.99364	7.05454
Deut'schemark	2.57407	2.59638
Dutch guilder	2.75322	2.77976
French franc	5.73570	5.78530
Italian lira	1057.05	1066.74
Japanese yen	292.897	295.669
Norway krone	6.25307	6.30698
Spain peseta	97.8262	98.6407
Swedish krone	5.66097	5.70398
Swiss franc	2.43202	2.44877

MINING NOTEBOOK

My two suggestions for gold price bulls

BY LODESTAR

One question has kept ringing in my ears during the recent rise in the gold price. Which South African shares should be bought to take fullest advantage of any further strong upward movement in the bullion market?

First of all I would discard those of old marginal mines such as East Rand and Durban Deep. True, they tend to move up fast when the gold price takes off. But if it should go the other way for any length of time then such mines would die pretty quickly.

So, as the life estimates given here recently indicated, it is wiser to go for mines which can at least live on if the bullion price does not fulfil the currently bullish expectations of many observers. In this class, two suggestions emanated from a visiting Johannesburg analyst after he had finished fulminating about London's winter weather. They were Libanon and Western Areas.

The December quarterlies have underlined the impact that a higher gold price can make on their profits. Thanks partly to the income boost given by the upsurge in sales of Krugerrands during the later part of last year Libanon obtained an average of $175 an ounce for its production.

Impressive

Net profit after allowing for the loan levy was equivalent to an annual rate of 185 cents a share or 140 cents if the estimated capital expenditure for the year to next June is deducted. These are impressive figures in relation to the 1976-77 dividend total of 45 cents. The interim for the current year was raised to 40 cents.

For Western Areas the December quarter's net surplus equals an annual rate of 53 cents a share even allowing for the full deduction of last year's heavy capital expenditure. Here again the earnings figure looks attractive when contrasted with the 1977 dividend total of 13 cents.

Both shares, Libanon at 470p and Western Areas at 214p, should thus be particularly responsive to fresh advances in the gold price in our South African friend's opinion—and mine. Western Areas could have some uranium potential in due course.

The saga of this column's advice to readers who have been eager to hear the buying bell rung for the highly volatile shares of South African antimony producer Consolidated Murchison can now be rounded off. As anticipated, the poor December quarter results, although they had been officially foreshadowed, initially put the price down to a 1977-78 "low." In fact, the company made a small loss in the period, its first for many years.

The 12-month figures show that by paying any final dividend at all the directors were at least showing some degree of confidence in the future in that, after allowing for capital expenditure, the 1977 total of 30 cents represented an over-distribution of profits.

The figures also indicate the stocks build-up during the year. 19,825 tonnes of concentrates and cobbed ore having been produced but only 16,391 tonnes shipped for sale. The company is thus well placed to take full advantage of any revival in the market for antimony.

When this will come about is the number one question now. There are scant signs of it at the moment. So the buying bell for Murchison shares is not yet ringing loudly but it could at least be tinkling. Friday's price was 280p.

Nickel casualty

I gather there is still interest on this side of the world in that Aussie nickel boom casualty, International Mining Corporation, which continues to be headed by that colourful personality Mrs. Millie Phillips, who once said at an annual meeting in those rumour-ridden days that she had heard them all including one that she was pregnant!

Anyway, IMC soldiers on except that its target is now uranium, the search for which is just as fashionable these days as that for nickel was in the last decade. The company's current prospecting is in the area of the Northern Territory's Rum Jungle, the site of Australia's first uranium mine, now closed down.

IMC's consulting geologist has recommended an exploration programme in the dry season of the down-under winter. Negotiations are in progress with "major overseas companies" for a joint venture, Mrs. Phillips says. But in London IMC shares linger at a lowly 2½p.

The opinion has been expressed more than once in this column that the splitting-up of the big Navan zinc find in Ireland into two mining components with Canada's Tara company working one part and Ireland's Bula the other was to be deplored, especially from the technical angle.

It is thus pleasing to hear that the Irish Minister for Industry, Commerce and Energy, Mr. O'Malley, agrees with this view. He described joint working of the whole orebody as "the ideal thing." Unfortunately, he reckoned that it was now "not on." Surely even at this late stage it would pay both parties to stage a get-together. After all, the Government is a common denominator. It holds a free 25 per cent. stake in the Tara deposit.

Controversy

Mr. O'Malley considered that work was unlikely even to start on developing the Bula section until "well into 1979," partly owing to planning permission delays. The Government's stake in this section is 49 per cent. of which 25 per cent. was obtained for nothing, while £9.54m. is being paid for the other 24 per cent., a sum about which there has been a good deal of controversy, as previously discussed here, quite apart from that recently sparked off by the peculiar voting rights situation.

At least the Tara section is already in production. I gather that some 5,000 tonnes of ore a day is being mined, half way to the 10,000-tonne target which it is expected to attain by the end of the year. What the principal Tara shareholders, Noranda, Cominco, Charter and Northgate, must now hope for is a recovery in the presently depressed price of the major product, zinc.

* * *

On Friday platinum "fixed" in London at $201.50, the first time it has been above $200 an ounce for some four years. A further advance in the South African mines' producer price from $180 is thus expected soon. Trade sources reckon the free market is heading for $250 and that only then will Rustenburg think about restoring its production cuts.

INSURANCE

Industrial safety and effects of this year's regulations

BY OUR INSURANCE CORRESPONDENT

THE BRITISH Insurance Association, in conjunction with Health and Safety Executive is holding a one-day seminar on Wednesday on Safety Committees and Safety Representatives—some implications for Industry.

The venue is Sudbury House, Newgate Street, London, E.C.1. proceedings start at 10 a.m. and the cost is £18.50, to include buffet lunch and light refreshments.

I mention this because I gather there are still some places available which can be reserved on a telephone call to Mrs. Judy Bell (01-248 4477).

This seminar is one of a continuing but intermittent series that the association and the executive have been holding since the executive came into being.

It focuses attention on safety committees and safety representatives, because autumn will see the introduction of statutory regulations made under the 1974 Act and dealing with the establishment and duties of committees and representatives.

Objectives

The programme includes a statement of the objectives of the Health and Safety Commission by Mr. V. G. Munns, assistant secretary of the Health and Safety Executive, and a discussion of the factory inspector's role in safety, by Mr. J. D. G. Hammer, chief inspector of factories.

After what might be called this "official" exposition come sessions in which will be considered parts to be played by insurers, employers and the trade unions.

Even from this outline, it is clear that the message that insurers and the executive want to get across is that safety is the concern of all who are involved in the industrial process.

As I mentioned a couple of weeks ago, noise is only now becoming one of the major industrial compensation problems of the late 1970s, although many industrial workers have been employed all their working life in conditions now regarded as too noisy for safety.

Noise is typical of industrial safety problems hitherto, all concerned in industry have all too slowly become aware of the dangers of particular processes. In many case, whatever steps are taken to remove dangers for the future, there is a substantial financial burden falling upon State funds and upon employers' liability insurers to provide compensation for injury or illness. With hindsight, these could have been alleviated, perhaps even prevented.

Statutory

All who have been concerned with the transaction of employers' liability insurance in the post-war years, with the claims that have ocurred, with the litigation and legislation that have followed, know only too well that, in many instances in the past, too little thought was given either to the improvement of existing conditions (which were often accepted as an inevitable feature of the job) or to the establishment of firm safety rules on the introduction of new processes.

The introduction of new regulations must have some impact on the relations even of those industrialists and unions, management and shop floor, well experienced in safety enforcement. For them and everyone else, with the statutory requirement of safety committees and representatives, the emphasis in the future will be upon foresight, not hindsight.

But, when discharging their statutory duties by sitting in judgment upon the safety record of their own organisations and considering what needs to be done for greater safety, all members will have to be careful to ensure that they do not pitch their requirements so high that the processes they are seeking to control inevitably grind to a halt.

Over-enthusiasm could perhaps pose as many problems in the future as indifference has posed in the past.

HOME NEWS

Tobacco 'health tax' wins EEC approval

FINANCIAL TIMES REPORTER

THE TOBACCO industry and Customs and Excise are to hold talks about how any supplementary tax on higher tar cigarettes will be levied.

Mr. Robert Sheldon, Secretary to the Treasury, said in the Commons last week that Britain had been given the go-ahead by the EEC Council of Ministers to impose the "health tax"—long a pet project of Mr. David Ennals, Health Secretary.

Before it can be imposed a clause will have to be inserted in this year's Finance Bill, making July 1 the first date at which the new tax would come into force.

The supplementary tax can be up to an additional 20 per cent. of the existing tax levy and, more important, will apply to cigarettes delivering 20 milligrammes of tar or more, which includes some brands which fall into the top end of the Government's middle tar range. Under Government rules, middle tar runs up to 22 milligrammes.

The industry fears that the ruling could aply to brands listed as delivering more than 20 mg. during the assessment made between July and December last year.

It is relatively easy to reduce tar yields by a few points and thus bring brands under the 20 mg. trigger point.

Some brands have already had their tar yield reduced—Rothmans claims that its Piccadilly Plain now delivers only 18 mg.—and manufacturers are expected to react to the threat of increased tax by moving more brands down the tar scale ahead of the introduction of any new tax.

But they will need the agreement of Customs and Excise to take the most uptodate figures if they are not to incur a tax penalty.

Although it has never been stated officially, it is thought that the Government would be made just as happy, if not happier, by more brands with reduced tar yields than by increased tobacco taxes revenue.

The industry has already agreed to phase out high tar deliveries by March next year, although it was expected that some of the brands would be retained while the tar delivery was gradually diminished between now and then. Capstan Full Strength, for instance, is still fairly popular in the North-East and Scotland.

For those brands which attract the additional taxation there is the option of reducing the price. Despite the introduction into the U.K. of EEC tax harmonisation rules on January 1, which cut the tax on plain cigarettes, most brands were not reduced in price, apparently in deference to a health lobby that did not want to see higher tar cigarettes made more attractive.

Air routes approved

FINANCIAL TIMES REPORTER

AIR WESTWARD, the airline subsidiary of Westward Television, has been given licences by the Civil Aviation Authority to fly passenger services between Exeter and Paris, Brussels, Amsterdam and Glasgow from the spring.

Air Westward's application for a route from Exeter to Gatwick will be the subject of a separate hearing.

Mr. Peter Cadbury, Westward TV chairman, said the CAA had granted Air Westward all the routes so far asked for "and has confirmed our faith in the whole venture."

The airline's 18-passenger Brazilian-built turbo-prop Embraer Bandeirante aircraft will bring Europe to little more than an hour's flying time from Exeter.

● British Island Airways has been granted a licence to operate between Southampton and Amsterdam.

Airline attacks U.S. 'predator'

By Michael Donne, Aerospace Correspondent

BRITISH Caledonian, which flies the Gatwick-Houston route, has protested to the Government about the possibility of its fares being undercut when the U.S. airline Braniff Airways starts flying between Dallas/Fort Worth and London.

The airline says that the fares, which it believes Braniff is planning, but which are still subject to U.K. Government approval, would destroy the value of its own service on the Gatwick-Houston route.

In some cases, the Braniff fares would undercut its rates by $50

Mr. Ian Ritchie, British Caledonian's external affairs director, said that the airline hoped that discussions between the British and U.S. Governments would be held as a matter of urgency. The Braniff plans were "predatory and discriminating against British Caledonian.

The Braniff flights are also expected to use Gatwick.

Local authority cost savings 'total millions'

BY JOHN LLOYD

COST-SAVING schemes introduced by local authorities in recent years have saved millions of pounds, according to a report to-day from the Association of Metropolitan Authorities.

Based on information provided by 51 of the association's 77 member authorities, the report concentrates on those schemes which employ genuinely cost-effective measures rather than those which are simply expenditure cuts.

The most remarkable result was produced by a metropolitan district which claimed to have saved £865,000 from work-study schemes and to have gained increased productivity totalling another £1.4m.

In the area of fuel policy, individual authorities reported savings ranging from £10,000 to £200,000. A central purchasing scheme saved a metropolitan district £650,000 on a budget of £6.75m.

A metropolitan county reported savings of £400,000 over three years after a complete review of technical services at the airport in its area.

Several authorities drew attention to the introduction of schemes since 1975-76 to evaluate the needs for staff, and to reductions of between 4 and 14 per cent. in establishment.

Value for Money: Local Authorities and Cost Effectiveness. A.M.A., 36, Old Queen Street, London SW1H 9JE. Price 50p inc. postage.

Britain 'faces fish stocks disaster'

BY RICHARD MOONEY

UNILATERAL ACTION may be the only way to prevent a fish stocks "disaster" in British waters, according to the British Fishing Federation.

The lack of progress at last week's EEC Council of Ministers' talks made the need to exercise Britain's powers to introduce unilateral conservation measures "more urgent than ever," the federation said yesterday.

It hopes to meet Mr. John Silkin, the Fisheries Minister, this week, to discuss the EEC negotiations.

The other EEC members seemed chiefly concerned to secure "virtually free access to Britain's fish," and to be ignoring the need for conservation, it added.

Proposals for "fishing plans," which would allow a certain measure of control to coastal States, and which Mr. Silkin described in Parliament as "an important advance," do not create any element of preference for the coastal State, "much less the dominant preference which the U.K. Government is seeking within our 50-mile zone," the federation declared.

It conceded that the proposals were "not without merit," but feared that they might be used to paper over the cracks, "thus taking a short-term expedient at the expense of the long-term solution."

Mr. Silkin said after the talks that EEC members seemed "close to agreement" on conservation measures, but leading U.K. fisheries organisations have described the Commission's proposals as "feeble," because they place heavy reliance on catch quotas, a system already considered discredited by the U.K industry.

On the Commission's quota proposals, which Mr. Silkin described as "forming a basis for discussion," the federation noted that they gave Britain only 31 per cent. of the total EEC catch, thus failing to recognise its 60 per cent. contribution to the EEC waters.

Thousands of jobs saved by Government help

FINANCIAL TIMES REPORTER

THE GOVERNMENT'S assistance to industry had generated investment of £1.15bn. Mr. Lesley Huckfield, Parliamentary Under-Secretary for Industry, said yesterday.

By the end of last month the National Enterprise Board had acquired shares in 34 companies at a total cost of over £500m. he told a postal workers' seminar at Hanley, Staffs.

Regional selective financial assistance had been given to over 3,000 projects in Assisted Areas where unemployment was a special problem. In cash terms £303m. had been offered towards projects costing £3bn. That had created 203,000 jobs and safeguarded a further 98,000.

"In addition, we have introduced a number of schemes to help industry nationwide. For example, under our Accelerated Projects Scheme we have given assistance of £85m. towards projects involving investment of £650m., thereby creating 13,000 jobs.

"Our Selective Investment Scheme which has succeeded the Accelerated Projects Scheme has already created 2,500 jobs and safeguarded 4,700."

Over £250m. had been allocated to schemes of assistance to specific industrial sectors to improve their competitiveness.

Languages take priority

A NEW step towards giving young executives a basic knowledge of foreign languages is to be taken by the Government-sponsored Business Education Council. From this autumn language studies will become a major part of a new business studies course to be adopted by colleges of further education.

The scheme is designed to answer employers' complaints that too few office workers can deal with simple telephone and written inquiries from overseas buyers in their language.

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Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
25—Feb. 1...	International Hotel and Catering Exhibition	Olympia
29—Feb. 2...	Brightshow '78	Olympia
30—Feb. 2...	Photography at Work Exhibition	Harrogate
5—9	International Spring Fair	Nat. Exbn. Centre, B'ham.
14—16	National Office Reprographic Exbn.	Wembley Conf. Centre
14—16	Licensed Hotel Catering Exbn.	Metropole Centre, Brighton
15—16	EIA Engineering Exhibition	Portsmouth
19—23	International Knitwear Fair	Earl's Court
19—23	Int. Men's & Boys' Wear Exbn.	Earl's Court
20—23	Spring Floorcoverings Exhibition	Metropole Centre, Brighton
20—24	Furniture Production Exhibition	Nat. Exbn. Centre, B'ham.
21—23	British Growers Look Ahead Exbn. and Conf.	Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

27—Feb. 5...	International Green Week	Berlin
28—Mar. 6...	British Technology Exhibition	Jeddah
4—7	Knitting Industries Exhibition	Paris
4—7	European Men's Wear Show	Paris
6—10	British Trade Fair	Abidjan
7—11	Engineering & Industrial Equipment Exbn.	Dublin
11—15	Int. Confectionery, Chocolate, Biscuit Exbn.	Paris
13—17	Israel Fashion Week	Tel Aviv
13—18	Int. Machine Tool & Foundry Exbn.	Johannesburg
14—18	Business and Micro-Graphic Equipment Exbn.	Tokyo
19—21	International Hardware Fair	Cologne
21—24	Offshore South-East Asia Show	Singapore
26—Mar. 2 ..	International Spring Fair	Frankfurt
26—Mar. 4...	Middle East Transport Exbn. and Conf.	Dubai

BUSINESS AND MANAGEMENT CONFERENCES

26—27	AMR International: Creative Problem Solving	Churchill Hotel, W.1
30—Feb. 3...	P-E Consulting Group: Production Management	Egham, Surrey
30—31	European Study Conferences: Protection and Exploitation of Trade Secrets	Royal Lancaster Hotel, W.2
31	British Council of Productivity Associations: Unfair Dismissal	Metropole Hotel, W.2
1	Department of Industry: Bulk Materials Handling	Runcorn, Cheshire
2	Berndtson Int./ORC (U.K.): Management—Pay—Productivity	Cavendish Centre, W.1
2	Chart Analysis: Investing in Commodities	Int. Press Centre, E.C.4
5	Business Perspectives: China and Britain—The Prospect for Trade	Royal Lancaster Hotel, W.2
6—10	Urwick: Management in Research & Development	Slough
7—9	Executant: Producer Risk Appraisal	Russell Hotel, W.C.1
8—9	Imperial College: Management Science in Distribution	Exhibition Road, S.W.7
8—10	London Chamber of Commerce and Industry: Social Service and Infrastructural Developments in Oil-Rich States	Farnham Castle
13—17	Kepner-Tregoe: Decision Making for Senior Management	Bath
13—17	Abraxas: Synectics—Innovative Skills	68, Churchway, N.W.1
14	Society for Long Range Planning: Self-Denial To-day for Prosperity To-morrow—Crisis of Choice	15, Belgrave Sq., S.W.1
15—16	Oyez IBC: International Tendering	Inter-Continental Hotel, W.1
15—16	Management Training Consultants: The Skills of Interviewing	Leicester
16	Building Materials Export Group: Expanding Export Markets for the U.K. Construction Industry	Cavendish Centre, W.1
17	Inbucon. The Practical Implications of the Consumer Credit Act	Hilton Hotel, W.1
21	Henley Centre for Forecasting: The Future of the U.K. Property Markets	Bowater Cinema, S.W.1
22	Institute of Personnel Management: Employment Law in 1978	Manchester
22—23	Financial Times: Business with Spain	Madrid

This week in Parliament

TO-DAY

[CO]MMONS—Debate on agri[cultu]re. Motion on developments [in th]e EEC civil aircraft sector. [SE]LECT COMMITTEES — [Expe]nditure, Education, Arts [and] Home Office sub-committee. [Subj]ect: Administration of the [priso]n service. Witnesses: [Natio]nal Association of Prison [Office]rs. 4.15 p.m. (Room 16).

TO-MORROW

[CO]MMONS — Scotland Bill, [comm]ittee stage.

[LOR]DS—Medical Bill (HL) [(repo]rt stage). Consumer trans[action]s (restrictions on state[ments]). Amendment Order 1978. [Debat]e on report of European [Comm]unity Committee on [equali]ty of treatment for men [and w]omen on social security.

[SEL]ECT COMMITTEES — [Expen]diture, Trade and Indus[try su]b-committee. Subject: the [...] industry. Witnesses: [Minist]ry of Agriculture. Foreign [...] 10.15 a.m. (Room 16). [Nation]alised Industries, sub-[commi]ttee "A." Subject: British [Airway]s report and accounts. [Witne]sses: British Airways. 4 p.m. (Room 8). Expenditure, Defence and External Affairs sub-committee. Subject: CPRS review of overseas representation. Witnesses: Dr. David Owen, Foreign Secretary. 4.15 p.m. (Room 16).

WEDNESDAY

COMMONS — Scotland Bill, committee stage.

LORDS—Short debate on international conference on tanker safety and pollution prevention. Short debate on contribution made to the economy by tourism.

SELECT COMMITTEES — Science and Technology, General Purposes sub-committee. Subject: filament and discharge lamps. Witnesses: Prof. S. Prais, Mr. I. D. M. Meiklejohn. 4 p.m. (Room 8). Overseas Development Committee. Subject: renegotiation of Lome Convention. Witnesses: Mrs. Judith Hart, Minister for Overseas Development. 4.15 p.m. (Room 6). Expenditure, Social Services and Employment Subcommittee. Subject Employment and training. Witnesses: Manpower Services Commission. 4.30 p.m. (Room 12). European Legislation Committee. Subject: Agriculture Price Review 1978/79. Witnesses: Mr. John Silkin. Minister of Agriculture. 4.30 p.m. (Room 15). Nationalised Industries, sub-committee "C". Subject: Bank of England report and accounts. Witnesses: Bank of England. 4 p.m. (Room 8).

THURSDAY

COMMONS—Consideration of timetable motion on European Assembly Elections Bill. Debates on size of Hansard, broadcasting proceedings of the House and computer-based indexing in the library.

LORDS—Commonwealth Corporation Development Bill (HL) (Consolidation) (committee stage). Northern Ireland (Emergency Provisions) Bill (HL) (Consolidation) (committee (HL) (report stage). Conservation of Wild Creatures and Wild Plants (Amendment) Bill (HL) (second reading). Debate on the importance of a free, diverse, responsible and thriving Press, in the light of the recommendations of the Royal Commission.

FRIDAY

COMMONS—Private members' Bills.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—

Avon Rubber, Melksham, Wiltshire, 12.

BOARD MEETINGS—

Finals:
Alexanders Discount
Hallam, Sleigh and Cheston
Kershaw (A.)
Rank Organisation
Rank Precision Industries
United Guarantee

Interim:
New Witwatersrand Gold

DIVIDEND & INTEREST PAYMENTS—

Atkins (Hosiery) 1.25p
Avon Rubber 5.275p
Bambergers 0.817p
Blakey's (Malleable Castings) 0.825p
Exchequer 12¼pc 1981 6⅛pc
G.R. (Holdings) 14.487p
Hanslet 2.305596p
Macanie (London) 0.336p (inc. supp. dist. of 0.022p o/a yr. ended 1976)
Minerals and Resources Corp Ln. 3pc
Moss Bros. 1.6292p (inc. supp. distbn. of 0.0292p o/a yr. ended 29/1/77)
Norcros 1.6p
Property Holding and Inv. Tst. 2.5p
Steel and Barnett 5 cents

TO-MORROW

COMPANY MEETINGS—

Elson and Robbins, Nottingham, 11.
Hensher (Furniture Trades), Great Eastern Hotel, E.C., 12.

BOARD MEETINGS—

Finals:
Glass Glover
Kingside Investment

Interims:
Allen (W. G.) (Tipton)
Amalgamated Distilled Products
Black (Peter)
Davy International
Hambro Trust
M.I.M. Hidgs.
Pullman (R. and J.)

DIVIDEND & INTEREST PAYMENTS—

Alpine Soft Drinks 2.2p
Bass Charrington 3.210973p
Bellway Ord. 1.31p
Caltyns 2p
Danks Gowerton 0.7p
De Beers Cons. Mines 40pcPf. (Reg.) 20pc. Bearer 20pc. 8pcPf. 4pc
East Daggafontein Mines 20 cents
Elson and Robbins 1.919p
GEI International 1.458p
London Merchant Secs. 0.5p
Smith (W. H.) A Ord. 3.5525p (inc. 0.1025p supp. distbn. o/a year. to 29/1/77). B Ord. 0.7105p (inc. 0.205p supp. distbn. o/a yr. to 29/1/77)
Warrington (Thomas) 1.637p

WEDNESDAY, JANUARY 25

COMPANY MEETINGS—

Devenish (J. A.), Weymouth, 12.30.
Gleeson (M. J.), North Cheam Sutton, 12.
MEPC, Dorchester Hotel, W., 12.
Redman Heenan, Connaught Rooms, W.C., 12.
Whessoe, St. Ermin's Hotel, Caxton Street, S.W., 12.
Wolverhampton and Dudley Breweries, Dudley, 12.

BOARD MEETINGS—

Finals:
Bludell-Permoglaze
Bullough
Edinburgh American Assets Trust
Mears Bros.
Status Discount
Tate and Lyle
Union Discount
Vantage Securities

Interims:
Austin (James) Steel
Fisher (Albert)
Vogelstruisbult Metal

DIVIDEND & INTEREST PAYMENTS—

Bankers Trust New York Corpn. Com. 75 cents
Blaenau Gwent 13½pcBds. Red. 25/1/78 £6.9719
CPC International 62.5 cents
Cambridgeshire 13½pcBds. Red. 25/1/78 £6.9719
Camden 13½pcBds. Red. 25/1/78 £6.9719
Cement-Roadstone 7½pcPf. 2.275pc
Charnwood 13½pcBds. Red. 25/1/78 £6.9719
Chorley 13½pcBds. Red. 25/1/78 £6.9719
Clwyd 13½pcBds. Red. 25/1/78 £6.9719
Corpn. of London 13½pcBds. Red. 25/1/78 £6.9719
Debenhams Lns. 3⅝ and 3⅞pc
Dover 13½pcBds. Red. 25/1/78 £6.9719
Dundee 13½pcBds. Red. 25/1/78 £6.9719
East Hertfordshire 13½pcBds. Red. 25/1/78 £6.9719
Eastleigh 13½pcBds. Red. 25/1/78 £6.9719
General Electric Comm. 55 cents
Gleeson (M. J.) 1.1573p
Hensher (Furniture Trades) Ord. and A 1p
Hurst (Charles) 2.66p
Kirklees 13½pcBds. Red. 25/1/78 £6.9719
Leeds 13½pcBds. Red. 25/1/78 £6.9719
London 13½pcBds. Red. 25/1/78 £6.9719
Manufacturers Hanover Corpn. Comm 52 cents
Medway 13½pcBds. Red. 25/1/78 £6.9719
Merton 13½pcBds. Red. 25/1/78 £6.9719
Newbury 13½pcBds. Red. 25/1/78 £6.9719
North Norfolk 13½pcBds. Red. 25/1/78 £6.9719
North Tyneside 13½pcBds. Red. 25/1/78 £6.9719
Orkney Islands 13½pcBds. Red. 25/1/78 £6.9719
Penarc 13½pcBds. Red. 25/1/78 £6.9719
Redbridge 13½pcBds. Red. 25/1/78 £6.9719
Renfrew 13½pcBds. Red. 25/1/78 £6.9719
Sheffield 13½pcBds. Red. 25/1/78 £6.9719
Slough 13½pcBds. Red. 25/1/78 £6.9719
South Tyneside 13½pcBds. Red. 25/1/78 £6.9719
South Wight 13½pcBds. Red. 25/1/78 £6.9719
Thamesdown 13½pcBds. Red. 25/1/78 £6.9719
Trafford 13½pcBds. Red. 25/1/78 £6.9719
Treasury 12pc 1995 £3.76
Uttlesford 13½pcBds. Red. 25/1/78 £6.9719
Vina Del Mar (City of) (Chile) 5pc (now 3pc) Stlg.Ln. (Assented 1948) 1½pc
Wellingborough 13½pcBds. Red. 25/1/78 £6.9719
Wychavon 13½pc Bds. 25/1/78 £6.9719

THURSDAY, JANUARY 26

COMPANY MEETINGS—

Brown Mathew, Trafalgar Hotel, Samlesbury, 12.
Causton (Sir Joseph), 11, New Fetter Lane, E.C., 11.30.
Davenports' Brewery, Birmingham, 12.15
Proprietors of Hays Wharf, Glaziers Hall, S.E., 12.
Scottish Invest. Trust, Edinburgh, 11.
Trafalgar House, 14-20, St. Mary Axe, E.C., 11.30.

BOARD MEETINGS—

Finals:
British Sugar
Derby Trust
Glanfield Lawrence
Lovell (Y. J.)
Smallshaw (R.) (Knitwear)
Throgmorton Trust
Watson and Philip

Interims:
Cowan de Groot
Denbyware
Fitch Lovell
G.T. Japan Investment Trust
Guinness Peat
Inchcape
Imry Property
Macarthys Pharmaceuticals
Manson Finance Trust
Midland Trust
Scottish English and European Textiles
Smith (David S.)
Warwick Engineering Investment

DIVIDEND & INTEREST PAYMENTS—

Australia and New Zealand Bank 12 cents
Bremner 1.015p
Davenports' Brewery 1.9871p
Devenish (J. A.) 3.9p
Harris (Philip) 1.3p
Moss (Robert) 1p
Ransome Hoffman Pollard 2.4022p
Rothmans Intnl. B Ord. 0.73p
Siemssen Hunter 1.3862p
Stanhope General Inv. 1.06p
Tiger Oats and National Milling Pf. 2¼pc
Treasury Loan 7¾pc 1985-88 3⅞pc. 7¾pc 2012-15 3⅞pc

FRIDAY, JANUARY 27

COMPANY MEETINGS—

Associated Engineering, Savoy Hotel, W.C., 12
London Intercontinental Trust, 3, London Wall Buildings, E.C., 12.
Williams (John), Cardiff, 12.

BOARD MEETINGS—

Final:
C.G.S.B. Holdings

Interims:
Brown (John)
Cook (Wm.) (Sheffield)
Gold Fields of South Africa
Henderson-Kenton

DIVIDEND & INTEREST PAYMENTS—

Agricultural Mtg. Corp. 13½pcBds. 27/1/78 £7.0365
Bank of New South Wales (London Reg.) 16 cents
Bank of Nova Scotia 23 cents
Baraoora Tea 10p
Boston 10pcBds. Red. 2/8/78 5pc
Camden 12⅞pcBds. Reg. 23/7/80 6⁷⁄₁₆pc
Chapman (Balham) 1.478p
Congleton 11⅜pcBds. Red. 25/7/79 5¹¹⁄₁₆pc
Construction Holdings 6.35p
Cotswold 10pcBds. Red. 2/8/78 5pc
Coventry 10pcBds. Red. 2/8/78 5pc
Crewe and Nantwich 10pcBds. Red. 2/8/78 5pc
Derby 12⅞pcBds. Reg. 23/7/80 6⁷⁄₁₆pc
Dundee and London Inv. Tst. 1.5p
Easington 13⅜pcBds. Red. 21/7/82 6¹¹⁄₁₆pc
East Lindsey 10pcBds. Red. 2/8/78 5pc
Erewash 10pcBds. Red. 2/8/78 5pc
Graham Wood Steel 0.56p
Gresham House Estate 1.4p
Gwent 11⅜pcBds. Red. 25/7/79 5¹¹⁄₁₆pc
Hackney 11⅜pcBds. Red. 25/7/79 5¹¹⁄₁₆pc
Halton 11⅜pcBds. Red. 25/7/79 5¹¹⁄₁₆pc
Hargreaves 1.3p
Harrogate 11⅜pcBds. Red. 25/7/79 5¹¹⁄₁₆pc
Hopkinson 7pcPf. 2.45pc
Inverclyde 10pcBds. Red. 2/8/78 5pc
Lothian 10pcBds. Red. 2/8/78 5pc
Lyons (J.) 2.068p. 6pcPfd. Ord. 2.1pc
Medway 13⅜pcBds. Red. 21/7/82 6¹¹⁄₁₆pc
Meyer (Montague L.) 1.74346p (inc. supp. distbn. of 0.04346p o/a yr. ended 31.3.77)
NCR Corpn. 20 cents
Newcastle upon Tyne 12⅞pcBds. Red. 23/7/80 5¹¹⁄₁₆pc
Newport 10pcBds. Red. 2/8/78 5pc
North Hertfordshire 10pcBds. Red. 2/8/78 5pc
Oil and Assoc. Inv. Trust 0.5775p
Orkney Islands 11⅜pcBds. Red. 25/7/79 5¹¹⁄₁₆pc
Portsmouth 10pcBds. Red. 2/8/78 5pc
Proprietors of Hay's Wharf 3.526p
Ranks Hovis McDougall 1.968p
Rediffusion TV 5.95pcPf. 2.975pc
Renfrew 10pcBds. Red. 2/8/78 5pc
Restormel 10pcBds. Red. 2/8/78 5pc
Rugby 12⅞pcBds. Red. 23/7/80 6⁷⁄₁₆pc
Runnymede 10pcBds. Red. 2/8/78 5pc
Russell Bros. (Paddington) 1p
Sainsbury (J.) 2.9877p (inc. supp. distbn. of 0.0549p o/a yr. to 5/3/77)
Scapa 2.442259p
Sekers International 0.693p
South Lakeland 10pcBds. Red. 2/8/78 5pc
Southend-on-Sea 5¼pcBds. Red. 1977-79 2⅝pc
Standard and Chartered Bank 7.9088p (inc. supp. distbn. of 0.009p o/a yr. ended 31/3/77)
Strathkelvin 10pcBds. Red. 2/8/78 5pc
Tameside 11⅜pcBds. Red. 25/7/79 5¹¹⁄₁₆pc
Toronto Dominion Bank 20 cents
Triplex Foundries 1.6171385p (inc. supp. distbn. of 0.0421385p o/a yr. ended 31/3/77)
Vplor 0.702p
WGI 2p. 4.9pcPf. 2.45pc
Wakefield 10pcBds. Red. 2/8/78 5pc
Waltham Forest 10pcBds. Red. 2/8/78 5pc
Wolverhampton 10pcBds. Red. 2/8/78 5pc
Wolverhampton and Dudley Breweries 4.03623p
Woodspring 10pcBds. Red. 2/8/78 5pc

SATURDAY, JANUARY 28

DIVIDEND & INTEREST PAYMENTS—

Arfon 11½pcBds. Red. 25/1/78 £5.6554
Blaby 12½pcBds. Red. 26/7/78 6¼pc
Canadian Imperial Bank of Commerce 36 cents
Canadian Pacific Red. Pf. Ser. A 3⅞pc
Samuel (H.) Ord. and A Ord. 1.5p. 6pcPf. 2.1pc

FT SURVEY OF CONSUMER CONFIDENCE

Greater optimism about spending this summer

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

A MUCH more buoyant view of the future is reflected in latest Financial Times' survey of consumer confidence.

All the three main indices improved sharply this month, with two reaching their highest level since 1970, when the survey was started.

This supports all the other statistical evidence, which indicates that there will be a sharp recovery in consumer expenditure in the summer.

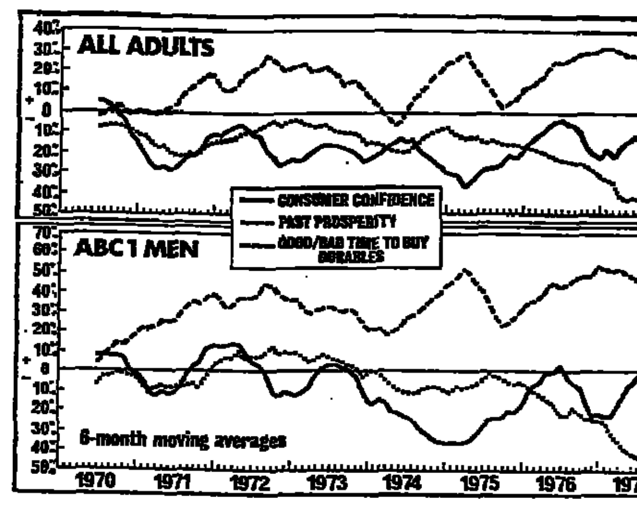
The survey is designed to find out how people feel about both the future and their present financial position. Movements in the indices usually take some three or four months to be reflected in buying patterns.

This month's improvement was most noticeable in the Past Prosperity Index, which attempts to establish whether people feel worse or better off compared with a year ago, and the Future Confidence Index, which measures how people see the future.

For only the second month in over seven years, the number of people feeling better off outnumbered those feeling worse off in January.

Of those interviewed, 32 per cent. said they were feeling better off than a year ago. Another 29 per cent. considered themselves worse off.

This meant that there was a balance of 3 per cent. who thought they were more affluent than a year ago.



Recovery

This is the first time since 1973 that the proportion of people feeling better off has exceeded those feeling worse off. In December there was a balance, 10 per cent., who thought they were worse off, while in August those feeling their incomes had not kept pace with inflation outnumbered those feeling better off by 35 per cent.

This month's recovery in perceived living standards was shared by all categories interviewed. The balance who said they were better off—4 per cent.—was slightly greater among professional men than among other groups, but the differences between the opinions expressed by people from different social backgrounds was less than usual.

Those aged between 15 and 34 continued to be the most optimistic group, but it was among the older people interviewed—the 35 to 54-year-olds—that the greatest turnround emerged.

The latest monthly figures mean that the six-month moving average indices (on which the graphs are based) have also improved.

On this longer-term basis, those feeling worse off now outnumber those feeling better off among all adults by 18 per cent. against 24 per cent. in December.

The six-month figure for professional men jumped to show a balance of 23 per cent. feeling better off, against 16 per cent. last month.

The improvement in the future confidence index is the first for three months. Asked whether they expected things to get worse or better, 41 per cent. of the total sample said better, and 14 per cent. worse.

This gave a balance of 27 per cent. expecting things to improve. This means that for the third time in five months optimism has reached a new high.

Professional men were much more optimistic than the others interviewed. Among them, the optimists outweighed the pessimists by 38 per cent. in January, compared with 17 per cent. in December.

This more confident outlook reflects a number of factors. North Sea oil was the factor most frequently cited by optimists, followed by the fatalistic interpretation that things must get better.

A fifth of the optimists based their confidence on the view that inflation was under control—a considerably higher figure than in the autumn.

There was also less concern about strikes, though rising prices remain a major source of worry among those people who expect conditions to deteriorate over the next year.

The improvement this month was particularly noticeable among women. As with the Past Prosperity Index, Future Confidence is higher among the 15- to 34-year-olds than among older people. Professional men remain more confident than other groups, with the optimists outnumbering the pessimists by 38 per cent. among ABC1 men.

Because the Past Prosperity figures were so much lower in the summer, the six-month moving average figures also moved up sharply in January.

Buoyant

The more buoyant feeling about the future was also reflected in the answers to questions about unemployment and the state of Britain compared with a year ago.

While there was no real decrease in the number of people thinking unemployment would fall in the next year, fewer said they thought it would increase. This meant that the "unemployment index" improved from 18 per cent. to 12 per cent.

The Time to Buy Index also showed a sharp rise this month, though this may be partly seasonal, in that the research was carried out when the shops were full of January clearance bargains.

Asked whether they thought it was a good time to buy big things for the house, 48 per cent. of those interviewed said yes, and 20 per cent. no, giving a balance in favour of buying of 28 per cent.

This compares with 14 per cent. in December, and means that this index is standing at its highest level since last February.

The research was carried out by the British Market Research Bureau between January 5 and 11. Altogether 946 adults were interviewed.

OVERSEAS MARKETS

EUROBONDS

BY MARY CAMPBELL

Sterling market re-opens

THE DOLLAR sector staged a welcome recovery last week, but it remains to be seen whether it will prove to be more than a technical reaction. Investors continued to focus on the strong currency sectors.

The firmer tone of the dollar sector of the market arose from the fall-off in U.S. dollar interest rates and the stabilisation of the dollar on the foreign exchange markets. This benefited all the issues which have closed recently. Thus Eurofina ended last week at about 97¼ bid, and with a generally much firmer undertone, compared with a weak 96¾ being quoted by the issuing house the previous Friday. Occidental has been quoted in general about two points below the offering price during the week but moved up about a quarter of a point by Friday's close.

The EIB two-tranche $200m. issue was a special case since the Union Bank of Switzerland adopted a novel technique in trading the issue. When it opened on Monday, UBS made it clear to the market that it would trade only with members of the selling of underwriting group to whom bonds had been allocated and would buy back bonds only to the limit of the amount each individual house had been allotted.

This was interpreted by the market as meaning that a record would be kept if they sold back the bonds they had been allotted and they would not be invited into future UBS issuing syndicates.

It seems that no one was anxious to take this risk since UBS said it did not trade a single bond the first day. Trading in the EIB issue only began to get going generally towards the end of the week when the improvement in market conditions made the yield on the bonds somewhat less unattractive.

Handling

The Union Bank of Switzerland's handling of the issue in the secondary market attracted considerable criticism among dealers on the grounds that it is a lead manager's duty to make a market in issues it is responsible for, and that UBS was effectively avoiding doing so. On the other hand it has certainly proved a successful method of preventing bonds from being dumped in the aftermarket.

If UBS's move were to cause underwriters and selling group members to refuse underwriting positions and to fail to subscribe for bonds when they could not place or absorb them then it would be a welcome development.

The trouble is that in weak market conditions and with the current level of competition among the powerful issue managers, it could simply end reinforcing the difference in yield levels between the primary and secondary market which emerged with the Eurofima, EIB and ECSC dollar issues.

The re-opening of the Eurosterling bond market will be widely welcomed by British corporate treasurers. After the overkill experience of November the two issues launched on Friday night are expected to be all for a few days at least, though a number of British corporate treasurers are known to be watching the situation carefully.

The EIB offering has been bought by the management group. There will be no underwriting group but up to half the issue will be made available to the market, via a selling group, at a discount of 1¾ per cent.

Even after a fall off in prices on Friday due to the news of the new issues, the terms are closely in line with the current secondary market yields on the ECSC and Fisons sterling Eurobonds. The market can therefore reckon on the fees as increasing the yield on the bonds above those available on comparable bonds on the secondary market. The EIB also offers very slightly more than a comparable gilt-edged, and Rowntree substantially more.

On the other hand, despite the fact that the EIB is effectively less than its face value in size, there were fears expressed on Friday night that the £40m. aggregate of the two issues will prove too much for the market.

It is understood that the Bank of England made it clear to both issue managers that there were two issues due, but that opposition to the formation of a queue remains strong among issue managers generally and it would not therefore be introduced by the Bank.

Issues due

Among issues due for announcement this week are DM100m. for Argentina, DM200m. for New Zealand and DM80m. for the Finnish power company TVO under state guarantee.

The Argentina issue, due to-day from Deutsche Bank, is expected to offer a coupon of 6¾ per cent. on a seven year maturity. The New Zealand issue, for which Commerzbank will be lead manager, was postponed last Thursday. The TVO offering, due from WestLB, is expected to offer a 6 per cent. coupon on a ten-year maturity.

Also due for announcement to-day is a $60m. floating rate note for Long Term Credit Bank of Japan. The maturity is expected to be five or seven years and the lead manager will be First Boston (Europe).

BONDTRADE INDEX AND YIELD

	January 20		January 13		1978 High		1978 Low	
Medium term	99.56	7.89	99.36	7.96	99.75	(3/1)	99.34	(13/1)
Long term	93.52	8.37	93.11	8.43	93.84	(2/1)	93.03	(13/1)
Convertible	105.17	—	104.59	—	107.45	(3/1)	104.13	(17/1)

EUROBOND TURNOVER (nominal value in $m.)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,127.3	886.6	261.8	224.5
Cedel	418.4	617.3	190.6	211.0

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Occidental	30	1983	5	8½	99	Dean Witter Rey. Intl.	8.76
‡**Daiichi Chuo (g'teed Sumitomo Bank)	20	1985	¶	8½	99	Sumitomo Fin. Intl.	8.70
‡††Norway	125	1983	5	8⅜	99½	Salomon	8.38
‡††ICI	150	2003	18.7	8⅞	99½	Smith Barney	9.14
††Euratom	75	1998	13	*	*	First Boston Corp.	*
ECSC	30	1985	7	8½	*	KIC, Hill Samuel	*
D-MARKS							
‡Brazil	200	1985	7	6½	100	Deutsche	6.75
‡Denmark	100	1984	6	5¾	99½	WestLB	5.85
‡Denmark	100	1988	10	6	99½	WestLB	6.06
‡World Bank	500	1990	10½	5¾	99	Deutsche	5.88
YEN							
‡Manitoba	15bn.	1990	9.9	6.7	99.90	Nikko	6.86
‡Korea Dev. Bank	10bn.	1988	9	6.7	99.70	Yamaichi	6.86
SWISS FRANCS							
‡Asian Dev. Bank	80	1993	na	4½	99½	UBS	4.30
STERLING							
‡EIB	25	1988	7.96	9½	100	S. G. Warburg	9.75
Rowntree Mackintosh	15	1988	8.1	10½	*	Schroder Wagg	*
KUWAITI DINARS							
‡Panama	5	1983-8	—	9	99½	KFTCIC, UBAF	9.06/9.08
UNITS OF ACCOUNT							
‡Kommunlaneinstitutet	12	1993	8	7¾	100	Kredietbank Lux., Skand. Ensk.	7.75

* Not yet priced. ‡ Final terms. ** Placement. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. Note: Yields are calculated on AIBD basis.

Indices

NEW YORK —DOW JONES

	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Jan. 16	Jan. 13	1977-78 High	1977-78 Low	Since compilation High	Since compilation Low
Industrial	776.94	778.67	786.30	779.02	771.74	775.75	999.75 (3/1/77)	771.74 (16/1/78)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	89.68	89.60	89.76	89.62	89.75	89.69	95.87 (7/8)	89.60 (19/1/78)	—	—
Transport	210.65	211.24	212.07	209.19	207.58	208.17	248.64 (18/5)	199.60 (25/10)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.77	106.75	106.80	105.73	106.36	106.65	118.67 (22/2)	104.97 (25/2)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's †	21,500	21,500	21,390	19,360	18,760	18,010	—	—	—	—

* Basis of index changed from August 24.

Ind. div. yield %	Jan. 13	Jan. 6	Dec. 30	Year ago (approx.)
	5.93	5.80	5.55	4.21

STANDARD AND POORS

	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Jan. 16	Jan. 13	1977-78 High	1977-78 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	98.94	99.16	99.73	98.56	98.44	98.74	118.92 (3/1/77)	97.44 (16/1/78)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	89.99	90.09	90.56	89.88	89.43	89.69	107.00 (3/1/77)	89.46 (16/1/78)	120.86 (11/1/73)	4.40 (1/6/32)

	Jan. 18	Jan. 11	Jan. 4	Year ago (approx.)
Ind. div. yield %	5.13	5.18	4.96	3.77
Ind. P/E Ratio	8.74	8.65	9.01	11.24
Long Govt. Bond yield	8.17	8.19	8.04	5.91

N.Y.S.E. ALL COMMON

Jan. 20	Jan. 19	Jan. 18	Jan. 17	1977-78 High	1977-78 Low
49.73	49.82	50.04	49.67	57.07 (4/1/77)	48.49 (16/1/78)

Rises and Falls

	Jan. 20	Jan. 19	Jan. 18
Issues traded	1,672	1,859	1,863
Rises	526	674	1,008
Falls	616	701	415
Unchanged	530	484	440
New Highs	10	15	13
New Lows	33	34	33

		Jan. 20	Jan. 19	Jan. 18	Jan. 17	1977-78 High	1977-78 Low
MONTREAL	Industrial	166.28	166.61	166.82	166.25	186.47 (17/5)	158.02 (26/10)
	Combined	175.17	175.49	175.92	175.09	187.95 (19/1/77)	165.69 (26/10)
TORONTO	Composite	1010.5	1010.5	1008.6	1007.0	1067.4 (19/7)	961.0 (26/10)
JOHANNESBURG	Gold	209.6	208.7	206.1	210.8	214.7 (17/10)	159.4 (24/5)
	Industrials	211.6	212.1	212.4	212.2	214.4 (4/1/78)	169.1 (22/4)

	Jan. 20	Previous	1977-78 High	1977-78 Low
Australia (¶)	464.99	464.75	479.48 (4/1/78)	415.85 (16/2)
Belgium (‖)	92.09	92.50	99.12 (14/1/77)	90.43 (12/1/78)
Denmark (**)	96.35	96.15	107.92 (9/6)	95.54 (26/11)
France (††)	51.3	51.9	58.4 (7/1/77)	43.6 (10/6)
Germany (‡‡)	807.7	806.0	813.8 (17/11)	712.6 (10/5)
Holland (§§)	80.5	80.6	93.2 (4/5)	75.5 (29/8)
Hong Kong (¶¶)	400.27	402.18	425.17 (11/5)	383.44 (13/1/78)
Italy (‖‖)	57.21	57.22	73.71 (6/1/77)	54.90 (22/12)
Japan (a)	376.59	376.99	390.96 (29/8)	350.49 (24/11)
Singapore (b)	263.76	263.59	288.02 (29/8)	242.28 (3/6)

	Jan. 20	Previous	1977-78 High	1977-78 Low
Spain (d)	95.29	95.07	100.00 (31/12)	95.07 (19/1/78)
Sweden (e)	351.51	354.95	416.68 (22/5)	336.68 (24/11)
Switzerl'd (f)	304.0	305.0	318.5 (14/10)	280.5 (5/5)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 31/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. 31/12/58. (u) Unavailable.

OVERSEAS SHARE INFORMATION

NEW YORK

[illegible]

GERMANY ◆

[illegible]

JOHANNESBURG

MINES

[illegible]

AUSTRALIA

[illegible]

PARIS

[illegible]

Investment premium based on $2.60 per £—75% (77½%).

Securities Rand Discount 32½%

AMSTERDAM

[illegible]

CANADA

[illegible]

COPENHAGEN ◆

[illegible]

STOCKHOLM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

VIENNA

[illegible]

TOKYO ¶

[illegible]

Source Nikko Securities, Tokyo.

BRAZIL

[illegible]

Vol. Cr. 174.1m. Shares 89.5m. Source: Rio de Janeiro SE.

OSLO

[illegible]

SPAIN ▼

[illegible]

SWITZERLAND ◆

[illegible]

MILAN

[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

Giant Krupp railc…

Fried Krupp GMBH of Es… West Germany, says it received an order from a concern to build what it… tends to be the "world's… gest railway car," rep… AP-DJ from New York.

U.S. trade sources said t… bustion Engineering Stamford, Conn., placed $2.7m. order for the super… car that would be used to t… boilers to electric utility pla… Combustion Engineering wouldn't be able im… diately to confirm or deny… reports.

The car, designed to c… 850 tons, will have an ove… length of 283 feet on 36 ax…

AUTHORISED UNIT TRUSTS

G.T. Inc. Fd. Un. 164.6 177.4 7.50
G.T. U.S. & Gen. 129.4 137.4 +2.2 2.20
G.T. Japan & Gen. 213.9 232.8 +2.2 1.10
♦G.T. Pens. Ex. Fd. 127.2 133.5 3.80
G.T. Int'l. Fund 104.6 113.3 +2.9 2.40
G.T. Four Yds.Fd. 54.1 57.5 7.80

♦G. & A. Trust (a) (g)

5, Rayleigh Rd., Brentwood (0277) 227300
G. & A. 31.6 33.7 +0.5 4.39

dex Limited 01-351 3466. May cocoa 1,514-1,522.
ent Road, London SW10 0HS.

CLIVE INVESTMENTS LIMITED

al Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101
Guide as at 11th January, 1978 (Base 100 at 14.1.77.)
live Fixed Interest Capital 134.97
live Fixed Interest Income 127.53

CORAL INDEX: Close 485-490

INSURANCE BASE RATES

† Property Growth 8¼%
Cannon Assurance 4¼%
† Address shown under Insurance and Property Bond Table.

FINANCIAL TIMES STOCK INDICES

	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Jan. 16	Jan. 13	A year ago
...ent Secs.	77.23	77.36	77.00	76.74	77.48	77.55	64.54
...terest	80.92	80.97	80.83	80.58	80.71	80.80	65.03
Ordinary	487.6	486.0	476.3	470.9	474.2	480.9	384.7
...s	147.8	147.3	143.1	143.9	143.4	139.1	106.0
Yield	5.53	5.56	5.66	5.71	5.67	5.60	5.87
Y'ld(full)(*)	16.84	16.89	17.19	17.37	17.24	17.05	18.13
(net) (*†)	8.42	8.39	8.25	8.16	8.22	8.32	7.91
...marked	6,224	6,051	5,128	6,194	6,474	6,054	7,872
...nover £m.	—	95.56	64.94	68.51	62.93	80.43	92.53
...gains total	—	15,085	13,298	15,225	17,950	14,636	17,106

10 a.m. 485.7. 11 a.m. 485.5. Noon 488.3. 1 p.m. 488.4.
2 p.m. 489.1. 3 p.m. 489.2.
Latest index 01-246 8026.
* Based on 52 per cent corporation tax. † Nil=5.97.
100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold 8/55. SE Activity July-Dec 1942.

HIGHS AND LOWS

	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
	174.5 (16/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 20	Jan. 19
—Daily		
Gilt-Edged	193.1	199.0
Industries	171.7	168.5
Speculative	42.5	35.4
Totals	118.9	114.6
5-day Av'rage		
Gilt-Edged	213.3	206.7
Industries	191.2	191.9
Speculative	42.5	41.7
Totals	127.7	128.6

FINANCIAL TIMES STOCK INDICES

	Jan. 20	Jan. 19	Jan. 18	Jan. 17	Jan. 16	Jan. 13	A Year ago
...Group	208.64	206.97	203.47	202.20	203.85	206.04	153.30
	229.58	227.96	224.59	223.15	224.84	227.24	175.42
...e	5.35	5.39	5.47	5.50	5.48	5.40	5.99
...ies	8.72	8.66	8.64	8.47	8.54	8.63	9.19
	213.81	212.15	209.24	207.79	209.31	211.65	164.88

HONG KONG

...ng$	Jan. 20	Jan. 13
...s	—	—
...Rubber	—	1.47
...	—	—
...Power	20.10	19.50
...	†30.00	—
...Properties	†1.38	1.36
...Tunnel	10.90	10.80
...ion	4.125	3.97
...raft	—	65.50
...tric	4.95	4.80
...loonWharf	12.90	12.60
...d Invest.	6.55	6.50
...ghai Bank	16.90	16.20
...ranHotels	†12.40	—
...dapes	5.575	—
...ourities	7.00	7.35
...n	11.90	10.50
...	†5.45	5.10
...	1.85	1.80
...	6.25	6.25
...p	—	0.58
...	—	—
...	5.50	5.05
...	—	—
...ong Kong	—	—
...	2.125	2.05
...ims	†3.225	3.03
...et	1.93	1.85
...	—	—

—Unquoted. ‡ Seller. ... Nominal.

SINGAPORE

Jan. 13	$	Jan. 13	$
Industrials			
Buris	0.58½	StraitsTrad'g	5.55
Boustead Co.	1.88	Times Pub.	
Boustead Bhd	1.45	Berhad	3.88
Dunlop	3.94	U. Engineers	1.49
Esso	2.36	U. Ov's. Bk.	2.88
Fraser Neave	3.52	Wearne	2.25xb
Haw Par	0.91	Tractor	3.44
Hume Ind.	1.39	Chemical	4.08xd
Inchcape	2.15	W'llm Jacks.	1.10
Jardine	1.84	Rubbers	
Malay Brew.	4.76	Batu Lintang	1.58
Macy Cem.	2.57	Dunl'p Estate	2.55
Mal. Tobacco	5.80xd	Kempas	3.82
Met. Bx. Sing	2.1 xd		
Ov'sChin. Bk	6.60	Tins	
Pan Electric	1.79	Austral. Am.	4.62-4.66
Robinson Co.	2.10	Berjuntai	7.35m
Rothman	3.52	Kampar	$3.02
Shell	1.92	Kramat	$5.80
Sime Darby	3.34	Kuchai	†0.84
Cold Storage	2.00	Lower Perak	—
Straitssteam	2.30	Petaling Tin	$6.30
Straits Times (Mal.) Ltd.	6.50	Supreme Cp.	2.39
		Tongkah Har.	2.60

† Buyer. —Unquoted. ‡ Seller. $ Traded. Xd Ex-dividend. xb ex-bonus issue.

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. Offered prices include all expenses. Today's prices. Yield based on offer price. Estimated. Today's opening price. Distribution free of U.K. taxes. Periodic premium insurance plans. Single premium insurance. Offered price includes all expenses except agent's commission. Offered price includes all expenses if bought through managers. Previous day's price. Guernsey gross. Suspended. Yield before Jersey tax. Ex-subdivision.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15M	15S	Treasury 9pc 1978‡‡	100 7/32	9.8	8.96	5.83
14J	14Ju	Treasury 10½pc '78‡‡	102½	8.12	10.24	5.14
26M	26S	Exch. 5pc '76-78‡‡	99 5/16	22.8	5.03	5.65
9M	9S	Treasury 11½pc '79‡‡	104¾	3.8	10.98	7.84
17M	17S	Treasury 3pc '79‡‡	95¼	11.8	3.15	6.06
26M	26S	Electric 4¼pc '74-79	96¼	22.8	4.42	6.64
1M	1N	Treasury 10½pc '79‡‡	104 1/16	26.9	10.09	7.97
15M	15N	Electric 3½pc '76-79	95½	10.10	3.67	6.16
3M	3S	Treasury 9pc 1980‡‡	101 3/16	28.7	8.85	8.18
14M	14N	Treasury 9½pc '80‡‡	102 3/32	10.10	9.29	8.37
15J	15D	Treasury 3½pc '77-80	94¼	8.11	3.71	6.12
15J	15D	Funding 5¼pc '78-80‡‡	95⅜	8.11	5.51	7.39
25M	25N	Exchequer 13pc 1980‡‡	109 1/16	19.10	11.92	9.27
15J	15Ja	Treasury 11½pc 1981‡‡	105⅜	9.12	10.91	9.39
15F	15A	Treasury 3½pc 1979-81	91⅜xd	9.1	3.83	6.66
1A	1O	Treasury 9¾pc 1981‡‡	100 13/16	25.8	9.67	9.44
12J	12D	Exch. 8¼pc 1981	96 13/16	—	8.52	9.36
4F	4A	Exch. 9½pc 1981	100⅛xd	29.12	9.49	9.47
21F	21A	Exch. 3pc 1981	87¾xd	16.1	3.42	6.94
17M	17N	Treas. Variable '81§§	96⅜	11.10	6.56	7.42
23M	23N	Exch. 12¾pc 1981‡‡	109 11/16	17.10	11.62	9.65
15J	15Ja	Treas. 8½pc '80-82‡‡	98	9.12	8.67	9.11
15F	15A	Treasury 3pc '82‡‡	85⅜xd	9.1	3.51	7.22
16M	16S	Treasury 14pc '82‡‡	114⅛	10.8	12.27	9.77
15J	15D	Treas. Variable '82§§	95 11/16	8.11	6.59	7.42
5J	5Ju	Treasury 8¼pc '82	95 9/16	1.12	8.62	9.47

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 33¼% (based on $US1.9330 per £)

Conversion factor 0.7556 (0.7584)

CANADIANS

[illegible]

S.E. List Premium 33¼% (based on $2.1366 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. May	Falcon Rh.50c	185	19.9	Q50c	1.3	25.2
May	Rhod'n Corp. 16½p.	21	377	0.57	4.3	4.1
—	Roan Cons. K4	55	1274	—	—	—
Dec. July	Tanganyika 50p	135	17.10	Q11.0	1.1	8.2
Jan. July	Do. Pref. 80p	78	12.12	Q9%	16.4	9.2
Nov. May	Wankie Col. Rh.1	38	17.10	Q7½c	1.4	16.8
—	Zam.Cpr.SBD0.24	11½	1174	—	—	—

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Acmex 25c	12	—	—	—	—
Nov. Apr.	Bougainville 50 Toea	69	14.3	Q10c	1.5	9.2
—	BH South 50c	74	974	—	—	—
Oct. May	Conzinc Riotinto 50c	170	14.3	Q9c	2.3	3.3
—	G.M. Kalgoorlie $1	58	6'67	—	—	—
September	Hamptn Areas 5p	87	25.7	1.45	4.1	2.5
—	Metals Ex. 50c	14	—	—	—	—
Dec. Apr.	M.I.M. Hldgs. 50c	136	31.1	Q9c	1.7	4.1
—	Mount Lyell 25c	20	—	—	—	—
—	Newmetal 10c	2	—	—	—	—
June Nov	North B. Hill 50c	88	31.10	Q8c	1.5	5.6
—	Nth. Kalgurli	9	—	—	—	—
June Nov.	Oakbridge $A1	136	7.4	Q11c	1.9	5.1
—	Pacific Copper	36	—	—	—	—
—	Pancont'l 25c	875	—	—	—	—
—	Paringa M&Ex 5p	13½	—	—	—	—
Apr. Oct.	Peko-Wallsend 50c.	415	19.9	Q15c	4.0	2.2
—	Poseidon 20c	75#	—	—	—	—
—	Vultan Min. 50c	11	—	—	—	—
Oct. May	Westn. Mining 50c	93	19.9	Q6c	1.4	4.0
—	Whim Creek 20c	45	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov. Apr.	Amal. Nigeria	30	17.10	2.51	1.8	12.7
Apr. Oct.	Ayer Hitam $M1	255	5.9	Q0.67c	0.9	35.1
Apr. Oct.	Berali Tin	46	8.8	3.75	2.3	12.4
Jan. July	Berjuntai $M1	210	3.1	‡Q60c	ϕ	—
Feb. Oct.	Geevor	470xd	16.1	†18.15	3.4	5.8
—	Gold & Base 12½p	10	1074	—	—	—
July Dec.	Gopeng Cons.	260	31.10	13.2	1.9	7.8
—	Hongkong	140	11'67	—	—	—
Mar. Sept.	Idris 10p	93	25.7	9.14	1.0	15.6
—	Jantar 12½p	10	4'67	—	ϕ	—
—	Kamunting $M0.50	69	—	ZQ15.5c	0.7	4.8
Jan. July	Killinghall	450	12.12	Q125	ϕ	27.8
—	Malay Dredging $M1	285	12.12	Q95.5c	ϕ	7.2
—	ΔPahang	46	9'75	†Q2.5	0.5	5.4
July Jan.	Pengkalen 10p	58	14.11	5.58	1.3	14.6
Jun. Nov.	Petaling $M1	175	12.12	‡Q37½c	10.9	1.5
Mar. Oct.	Saint Piran	59	3.1	g1.99	ϕ	5.1
—	South Crofty 10p	59	3.1	64.12	1.5	10.6
Jan. July	South Kinta $M0.50	145	3.1	‡Q77.8c	1.4	11.5
June Jan.	Sthn Malayan $M1	245	3.1	‡Q131.3c	1.1	11.5
—	Sungei Besi $M1	144	—	—	—	—
—	Supreme Corp. $M1	60	974	ZQ10c	—	3.6
Mar. Aug.	Tanjong 15p	100	25.7	6.25	ϕ	9.9
Sept. Mar.	Tongkah Hrbr. $M1	74	12.12	Q63.2%	1.6	16.5
Apr. Oct.	Tronoh $M1	162	5.9	ZQ30c	2.0	4.0

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
June Dec.	Messina R0.50	90	12.12	Q30c	1.9	19.9

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Burma Mines 17½p.	9	575	—	—	—
—	Colby Mines $C1	80	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	280	3.1	Q30c	ϕ	‡
—	Northgate C$1	270	375	—	—	—
Jan. June	R.T.Z.	189	31.10	t8.5	q3.1	6.8
—	Sabina Inds. C$1	34	—	—	—	—
—	Tara Exptn. $1	837	—	—	—	—
Nov. July	Tehidy Minerals 10p	45	17.10	1.21	2.5	4.1
October	Yukon Cons. C$1	127	15.9	Q7c	ϕ	3.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- • "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 41

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	41	......
Bertam	19	......
Bdg'wtr. Est. 50p	285	+3
Clover Croft	23	......
Craig & Rose £1	390	+10
Dyson (R.A.)	35	......
Ellis & McHdy	68	......
Evans Fr'k. 10p	59	+1
Evered	17	......
Fife Forge	47	......
Finlay Pkg. 5p	28½	......
Graig Ship. £1	240	......
Higsons Brew	80xr	+5
I.O.M. Stm. £1	140	+3
Holt (Jos.) 25p	244	+7
N'thn. Goldsmith	52xr	+4
Pearce (C. H.)	128	+1
Peel Mills	17	......
Sheffield Brick	47	......
Sheff. Refrshmt.	50	......
Shiloh Spinn	19	......
Sindall (Wm.)	85	......

IRISH

Conv. 9% '80/82	£97⅞	+⅛
Alliance Gas	70	......
Arnott	320	+5
Carroll (P.J.)	107	......
Clondalkin	84	......
Concrete Prods.	121xd	......
Heiton (Hldgs.)	51	......
Ins. Corp.	175	......
Irish Ropes	110	......
Jacob	64	......
Sunbeam	27	+1
T.M.G.	177	+2
Unidare	70	......

OPTIONS
3-month Call Rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	11
Babcock	10
Barclays Bank	25
Beecham	35
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	9
Cadburys	5
Courtaulds	10
Debenhams	10
Distillers	13
Dunlop	6½
Eagle Star	11
E.M.I.	18
Gen. Accident	17
Gen. Electric	16
Glaxo	40
Grand Met.	9
G.U.S. 'A'	18
Guardian	18
G.K.N.	22
Hawker Sidd.	60
House of Fraser	12
I.C.I.	25
"Imps"	7
I.C.L.	20
Inveresk	7
KCA	5
Ladbroke	17
Legal & Gen.	14
Lex Service	6
Lloyds Bank	22
"Lofs"	5
London Brick	5
Lonrho	7
Lucas Inds.	25
Lyons (J.)	15
"Mams"	7
Mrks. & Spncr	15
Midland Bank	25
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	12
Plessey	9
R.H.M.	5
Rank Org. 'A'	18
Reed Intl.	18
Reyrolle	20
Spillers	4
Tesco	4
Thorn 'A'	22
Trust Houses	13
Tube Invest.	30
Unilever	40
Utd. Drapery	7½
Vickers	15
Woolworths	6

Property

Brit. Land	3¼
Cap. Counties	5
E.P.	5
Intreuropean	5
Land Secs.	18
MEPC	12½
Peachey	10
Samuel Props.	10
Town & City	2

Oils

Brit. Petroleum	45
Burmah Oil	7
Charterhall	3½
Shell	28
Ultramar	22

Mines

Charter Cons.	12
Cons. Gold	20
Rio T. Zinc	16

FINANCIAL TIMES

Monday January 23 1978

Britain will take firm line over job subsidy

By Alan Pike, Labour Staff

THE GOVERNMENT will take a firm line in defence of its special employment measures when it replies, probably later this week, to EEC Commission complaints about the operation of the Temporary Employment Subsidy.

Commission officials have expressed concern about the distorting effect of the subsidy on competition and are awaiting details of arrangements which the British Government intends to introduce when the existing scheme expires at the end of March.

While the final shape of a new scheme has not yet been approved by ministers, the Government has made it clear that measures to assist employment will be continued.

The Commission had hoped for a reply from the Government by to-day to a letter raising detailed queries about the subsidy. A reply has not yet been sent but the Government is expected to meet a Commission deadline asking for information by the end of this month.

'Distortion'

The subsidy, under which an employer can receive £20 per employee per week in return for avoiding redundancies, is the most significant of the Government's special measures for tackling adult unemployment, and supports about 200,000 jobs at any given time.

Commission objections concentrate on the distorting effect which it is said to be having in the textile, clothing and shoe industries.

The Government will argue that the measure is not greatly different from subsidy schemes which operate in other member countries. It is expected to challenge claims that the subsidy is having an adverse effect on the trading position of companies outside Britain.

A second approach to employment subsidies—paying companies to take on unemployed labour on the lines of the experimental Small Firms Employment Subsidy, which also ends in March—would meet Commission objections but would not easily provide an alternative to Temporary Employment Subsidy.

David Buchan writes: The changes which the Commission has told the Government should be included in any renewal of the subsidy scheme are more detailed than those which Brussels officials usually suggest to member states.

This is because the Commission, in the words of one official, "has had a hard time getting a handle on the TES." It was informed only afterwards of six changes already made in the scheme, and now wants to take advantage of the scheme's formal end on March 31.

Throughout 1977 British officials argued it was impossible to make changes in such a big scheme in mid-stream.

Brussel's chief complaint is that what was intended as a general subsidy should never have been allowed to be linked with a few sectors, with half the £431m. already paid out going to the clothing, textile and shoe industries.

EEC officials cite with disapproval figures showing that, of U.K. companies receiving Temporary Employment Subsidy, 67 per cent. of their work forces are on average covered by the subsidies.

Editorial Comment, Page 10
Jobs saved by Government support Page 42

GATT leaders ready for tough bargaining

BY REGINALD DALE

THE MOST ambitious round of international trade negotiations since the Second World War—the so-called Tokyo round—enters its decisive final phase in Geneva to-day.

The starting signal for real bargaining to begin—well over four years since the talks were officially opened—will be given at a high-level General Agreement on Trade and Tariffs meeting to be attended by the chief negotiators of all three major participants.

They are Mr. Robert Strauss, President Jimmy Carter's Special Trade Representative, Mr. Nobuhiko Ushiba, his Japanese counterpart, and Herr Wilhelm Haferkamp, vice-president of the EEC Commission for external relations.

By the time the meeting opens this afternoon the three protagonists will each have finally declared their initial negotiating positions. The Japanese offer, tabled last Wednesday, was followed by the Community's on Friday and the American offer is due to-day.

The hope is that in the coming months agreement can be reached on a further major liberalisation of world trade and new, up-dated rules to govern international commercial relations for the next decade and beyond.

While 97 nations are attending the talks, agreement between the three main trading powers is essential if progress is to be made. Between them the U.S., the EEC and Japan account for more than half world trade.

All three have subscribed to a working hypothesis under which the aim would be an average cut of about 40 per cent. in industrial tariffs, spread over eight to ten years. The Community, however, has not officially committed itself to the 40 per cent. figure, about which France and Britain have strong reservations.

Safeguard

The Community, at French insistence, would prefer the tariff cuts to be presented as an overall average of only 35 per cent.

This could be achieved if actual cuts in tariffs averaged no more than 40 per cent., given that rates on some goods will remain unchanged.

Britain has said it can accept the 40 per cent. figure only if a satisfactory new safeguard system is agreed and there is a possibility of putting a brake on tariff cutting in the event of serious economic problems.

The Community is accordingly proposing that a further positive decision should be required before the final stages of the cuts are completed. It also wants it to be possible in future for safeguards to be introduced selectively against one or more countries, instead of indiscriminately against all trading partners, as at present.

Tariffs, however, are only one aspect of the talks, which cover a vast range of non-tariff barriers, export subsidies and countervailing duties, as well as trade in agricultural products.

It is also hoped to reach agreement on a number of important new international codes of conduct in areas such as Government procurement, technical standards, customs valuation and import licensing.

Editorial Comment Page 10

Leyland share of market may not reach more than 25%

BY OUR INDUSTRIAL STAFF

THE GRAVITY of the crisis confronting Leyland Cars is expected to be underlined by Mr. Michael Edwardes, British Leyland chairman, when he addresses a mass meeting of shop stewards in Birmingham next week.

Forecasts circulating within the company suggest that over the next five years the State-owned concern will achieve little more than a 25 per cent. share of the U.K. market.

This gloomy assessment contrasts with the review undertaken just eight months ago in the wake of the toolmakers' strike, when the group reaffirmed its objective of a 32 per cent. share.

There are fears of a major assault on the U.K. car market by importers, particularly by Japan. While Leyland hopes to recover from its present 24 per cent. share to perhaps 29 per cent. by the end of the year, the improvement is not expected to be sustained.

Weakness in the range of models offered, particularly in the fleet car market, is expected to leave the company vulnerable.

The implications of lower market penetration for the company's output, profit and investment are serious.

The cars division is thought to have returned a small pre-tax profit in 1977, but can expect little improvement this year.

Capital spending on major projects has been subject to review and economies will be sought: for example, the £240m. programme to double output of the successful Land-Rover and Range-Rover models is likely to be phased over a longer period.

The need to raise productivity to that of international competitors is a priority. This year Leyland plans to shed 12,000 jobs as a first step towards improving manning levels.

In an effort to overturn Mr. Edwardes' plans for redundancies, the Leyland shop stewards are to launch an unprecedented campaign to-day to gain shopfloor support for a drastic reduction in the number of strikes.

Leyland is manned to produce more than 1m. vehicles a year, but the company expects strikes this year to cut output to only 825,000. Trades unionists on the Cars Council, the top-tier worker participation body, are urging Mr. Edwardes to allow them to prove that they can achieve the 1m. level as an alternative to the job cuts.

Final decisions on a new organisation structure for Leyland Cars are expected to be reached this week. Mr. Edwardes is known to favour the creation of separate companies for Austin-*Morris*, *Rover-Triumph-Jaguar* and the components division.

The managing directors of these would report to a corporate vice-chairman with overall responsibility for car operations.

However, the practical problems involved in imposing this new structure are considerable in view of the integration which has taken place in the past two years.

Some executives, as well as union officials, are worried about the disruptive effect of another big upheaval so soon after the Ryder reorganisation.

Government expected to approve Liberal share-ownership plan

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A CONSULTATIVE document containing Government plans to boost employee share-ownership schemes through tax concessions is likely to be published by the Treasury during the next week or two.

The plans have been urged on the Government by the Liberal Party. The Cabinet is now expected to approve early publication of the document following the Liberal Assembly's backing for the Lib-Lab pact.

Three alternative ways of encouraging share ownership schemes are contained in the document, which has been discussed by Mr. Joel Barnett, Chief Secretary to the Treasury, and Mr. John Pardoe, the Liberal economics spokesman. The Liberals hope one of the options will be included in the Budget and will thus become law in the Finance Bill during the summer.

The option preferred by the Liberals would involve a major income tax concession which would allow employees to be allocated a part of a company's profits in shares up to an annual limit of £500 without paying income tax.

The shares would be those of the company in which the employee worked so that, where both a holding company and a subsidiary were quoted concerns, it would be the shares of the subsidiary which would be issued. It is likely that the shares would be paid into a trust and participating employees would then be issued with units in the trust.

The scheme would be entirely voluntary but would mean that an employee opting for shares would receive them to a value considerably higher, because of the tax concession, than an employee opting for a cash handout. The shares would be costed at their full market rate.

To gain the full tax concession, the shares would have to be held for at least five years. It is not yet clear, however, whether after that time there would be no tax due or whether the amount would be gradually reduced.

There would, however, be no special corporation tax advantages for the company concerned. This is because the Government believes that the fact that the amount of the shares would automatically count as an allowable cost for corporation tax purposes (like ordinary wages) should be enough incentive to encourage employers to consider introducing such schemes.

The two other schemes have been prepared by the Inland Revenue. They are thought to propose that, unlike the Liberal idea, the main concession for the employee should not be that he is issued with shares according to his gross pay. Instead he should be able to purchase shares out of his net pay but at a discounted rate. There would be an extra concession that capital gains tax would not be payable on the difference between the discounted and full price of the shares.

Continued from Page 1

Monetary

sort of over-heating which brought output to a halt in 1973."

Only last week, a senior Treasury economist told a Commons Committee that, in practice, it would be difficult for the economy to grow by more than 4 per cent. a year in real terms because of the present constraints of the slow growth of world trade, inflation and the underlying rate of increase of productivity.

It would be necessary to do something about these limiting influences, if the economy was to grow more rapidly, he said.

Existing projections are for a rate growth in the economy of about 3½ per cent. a year in the next two years.

There is also some caution about the extent of any fiscal stimulus on external grounds. Although there is still confidence that there will be a substantial current account surplus both this year and next, *the slow growth of world* trade and high import penetration are likely to lead to a deterioration of the non-oil balance.

However, the need to repay sizeable amounts of official debt overseas in the next few years will require a continuing sizeable current account surplus.

Sandelson ex-partner in probe

BY CHRISTINE MOIR

THE STOCK Exchange has *almost completed an investigation* into the conduct of affairs of Mr. Alan Knapp, who resigned last August as senior partner of stockbrokers Sandelson and Co.

Mr. Robert Fell, chief executive of the Stock Exchange, yesterday confirmed that "the Stock Exchange is looking at the implications of the Hong Kong dealings of a member, Mr. Alan Knapp."

Mr. Knapp is believed to be out of the country at present.

The Stock Exchange has the power to require members to attend investigatory or disciplinary hearings. In extreme cases failure to comply with such requirements can lead to expulsion.

Mr. Knapp spearheaded Sandelson's expansion into Hong Kong and until his resignation held a 10 per cent. stake in a company, Knapp Sandelson, based in Hong Kong, in which Sandelson had a 63 per cent. stake.

Knapp Sandelson had an investment in Gulf Arabian, a company involved in shipping, which went into liquidation.

The Stock Exchange investi*gated the financial affairs* of Sandelson and found it had operated within its required liquidity margin of £200,000.

This investigation, which gave Sandelson a clean bill of health, sparked off the present investigation into the dealings of Mr. Knapp.

Continued from Page 1

Congress and Carter

write-offs for entertainment expenses, are bound to generate heated debate.

These proposals reflect, in part, President Carter's puritan and egalitarian streak. The official proposal on first-class air-travel remarks tartly that "both ends of the plane arrive at the same time."

But vested interests, ranging from the restaurant business to the airlines, will contest these proposals vigorously. The curb on the deductibility of first-class air travel could, for example, have an impact on the use by American corporate executives of the Anglo-French Concorde.

On the other hand, the decision to make permanent the 10 per cent. investment tax credit (which was due to go down to 7 per cent. in 1981) and to expand its applicability is bound to be welcomed as an example of the Administration's intention to cater to investment needs.

The Treasury calculates it will lose $2.4bn. revenues in 1979 and $7.2bn. by 1983.

Similar satisfaction is bound to greet the cut in corporate tax rates from the current 48 per cent. to 45 per cent. in October and 44 per cent. on January 1, 1980. Taxes on the first $50,000 corporate income have also been cut.

Some 6m. low-income Americans would no longer pay taxes, while the tax threshold, for the first time, would be higher than the official federal poverty level.

Pay code breakers may lose State contracts

By Nick Garnett, Labour Staff

THE DEPARTMENT of Energy has told State industries under its umbrella, including the National Coal Board, British Gas and the Central Electricity Generating Board, to take any *action they can to prevent the* effects of guideline-breaching pay settlements in the private sector from reaching the consumer in the form of higher prices.

NCB officials at least have been discussing ways of doing this, including the withdrawal of coal-moving contracts from road hauliers who have agreed to pay deals above 10 per cent.

Coventry drivers have recently negotiated a 15 per cent. rise, in line with that secured by men covered by a West Midlands agreement widely viewed as a probable pace-setter for the country's one-million drivers.

The Road Haulage Association said yesterday that it had had no formal notification that *the NCB had already* introduced sanctions against certain hauliers. But it would be no surprise if they had already started.

Hauliers

Only a small percentage of coal is moved around the country by road, although some hauliers depend almost totally on NCB contracts.

The association said such sanctions would not entice road hauliers to try to renegotiate pay-breaking deals. The alternative to the threat of sanctions was potentially crippling industrial action and companies had to accept the lesser evil.

Some hauliers believe that any attempt to single out transport firms for sanctions will meet stubborn union resistance.

The Department of Employment and the Treasury are in close consultation with other Departments about the way they deal with private companies which break the guidelines.

It is left, however, to individual nationalised industries to make their arrangements for trading with such companies.

The Government has so far withheld export credit guarantees from James Mackie and Sons, Belfast textile machinery manufacturers, while the Heating and Ventilating Contractors' Association, which also made a deal outside guidelines, says Government purchasers started *to use discretionary powers on* the placing of contracts. The heating and ventilating deal has since been renegotiated within pay guidelines.

Sun Alliance threatened, Page 3

Weather

U.K. TO-DAY

Cold. Rain spreading to all areas.

London, S.E., Cen. S., N.W., Cen. N. England, Midlands, Wales, Isle of Man, N. Ireland
Cloudy. Rain or sleet, snow on hills. Clearer later. Cold. Max. temperature 4C (39F).

E. Anglia, E., N.E. England, Lake District, Borders, Edinburgh, Dundee, Aberdeen, S.W. Scotland, Glasgow, Cen. Highlands
Bright, becoming cloudy with rain or snow. Cold. Max. 4C (39F).

Channel Islands, S.W. England
Cloudy. Some rain or sleet, snow on hills, becoming clearer. Cold. Max. 6C (43F).

Rest of Scotland
Sunny spells, wintry showers. Cold. Max. 4C (39F).

Outlook: Cloudy. Rain, sleet, or snow. Cold.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm.	S	2	36	Luxembrg.	C	−1	30
Athens	F	12	54	Madrid	F	8	46
Bahrain	S	21	69	Manchstr.	R	4	39
Barcelona	C	8	46	Melbourne	F	22	72
Beirut	S	17	63	Mexico C	S	24	75
Belfast	F	4	39	Milan	F	6	43
Belgrade	F	2	36	Montreal	C	−14	7
Berlin	Sn	−1	30	Moscow	Sn	−12	10
Birmghm	C	6	43	Munich	C	−2	28
Bristol	C	6	43	Newcastle	F	5	41
Brussels	S	3	37	New York	Sn	0	32
Budapest	F	2	36	Oslo	Sn	−3	27
B. Aires	S	22	72	Paris	Sn	1	34
Cairo	S	30	86	Perth	F	29	84
Cardiff	S	5	41	Prague	S	2	36
Chicago	Sn	−4	24	Reykjavik	Sn	0	32
Cologne	S	3	37	Rio de J'o.	S	30	87
Copnhagn.	Sn	0	32	Rome	F	12	54
Dublin	S	4	39	Singapore	S	29	84
Edinburgh	F	6	43	Stockholm	F	0	32
Frankfurt	C	2	36	Strasbrg.	C	3	37
Geneva	S	3	37	Sydney	C	22	72
Glasgow	R	4	39	Tel Aviv	S	17	63
Helsinki	C	−6	21	Tokyo	C	8	46
H Kong	C	14	57	Toronto	Sn	−11	12
Jo'burg	C	23	73	Vienna	F	1	34
Lisbon	F	12	54	Warsaw	S	−6	21
London	C	7	45	Zurich	C	0	32

HOLIDAY RESORTS

Ajaccio	R	7	45	Jersey	R	6	43
Algiers	F	13	59	Las Plms	C	17	63
Biarritz	C	10	50	Locarno	C	4	39
Blackpool	R	4	39	Majorca	C	12	54
Bordeaux	C	8	46	Malaga	S	15	59
Boulogne	R	2	36	Malta	C	11	52
Casablnca.	C	15	59	Nairobi	C	20	68
Cape Town	S	24	75	Naples	F	11	52
Corfu	R	10	50	Nice	C	9	48
Dubrovnik	C	8	46	Nicosia	F	17	63
Faro	F	13	55	Oporto	F	10	50
Florence	F	8	46	Rhodes	F	16	61
Funchal	F	18	64	Salzburg	C	−1	30
Gibraltar	F	18	65	Tangier	C	12	54
Guernsey	F	4	39	Tenerife	C	10	50
Innsbruck	S	1	34	Tunis	F	15	59
Inverness	R	5	41	Valencia	S	14	57
I. of Man	F	5	41	Venice	C	6	43

F—Fair. S—Sunny. R—Rain. C—Cloudy. Sn—Snow.

THE LEX COLUMN

Depreciation pos… for property

Britain's property companies have been given a year's grace by the accounting bodies to comply with the ruling in SSAP12, the accounting standard which insists for the first time that buildings must be depreciated. The intention is that both the accountants and the companies themselves will use 1978 to take an overall look at accounting practices now followed by property companies and to arrive at some generally acceptable proposals for the future.

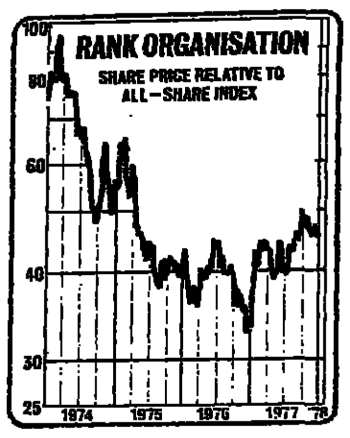
The confrontation with the Accounting Standards Committee came about because property companies refused to depreciate their buildings partly on the grounds that depreciation charges would wipe out their profits and prevent the payment of dividends. But there is far more to the problem than that. Property companies are special because it is not nearly so easy to draw clear lines between their fixed assets and current assets, and capital and income, as it is for manufacturing or trading companies.

Chancery Lane case

Property companies are also extra special because taxation dictates their accounting practice just as much as it does for the typical manufacturing company in France, Germany, or Sweden. Not surprisingly, accounts prepared on a tax basis are of limited value to investors. The tax ruling which affects every British property company just as much as if it were in a Finance Act is the decision of the court in the famous Chancery Lane case, back in 1962. There it was held that property companies can only get tax relief for the interest they pay *on borrowings if that interest* is charged in the profit and loss account.

Since the implications of this decision became appreciated property companies have been doing just that. Typically, companies then transfer that part of the year's interest and other outgoings regarded as capital—usually the proportion relating to development properties—back out of the profit and loss account into the balance sheet. How the amount of this transfer is determined is rarely disclosed. Again, the definition of what constitutes properties in the course of development varies from company to company. MEPC ceases to treat a *property as being in the course* of development when "it is substantially let or upon the issue of the architect's certificate of practical completion, whichever is the earlier." Land Securities waits until properties are fully let, and Brixton Estate capitalises interest for periods of two and three years after practical completion."

What property companies are reluctant to do, however, is split the transfer from the profit and loss account down into its component parts. They also *tend to be less than forthcoming* about the bases on which they value their properties, or the amount of leasehold property which is subject to top-slicing, with a proportion of the rental going to the investing institution.



These are just some of the areas apart from depreciation of buildings which ought to be considered in an overall review of property accounting practices. The ideal solution would be for property companies to prepare their accounts on a current cost basis. But that might get them into trouble with another tax rule. At present, by claiming that their main *activity is property investment*, they are able to have their capital gains assessed at 30 per cent. If they were to bring capital profits regularly into their profit and loss accounts, they might be classified as dealing companies subject to the full rate of corporation tax of 52 per cent.

Rank Organisation

To-day the Rank Organisation releases its 1976-77 results, making this a topical moment for brokers Scott Goff Hancock to launch their latest heavyweight study of the group. The forecast is that pre-tax profits for the year to last October will have jumped by just over 60 per cent. to £122m., fully diluted earnings of some 34…, putting the shares on … 7½ at 258p. But th… provement has been… counted in advance… crucial question now… Rank can maintain… progress over the … years. The perform… non-Xerox interests… long time been inade… Rank Xerox appears … ing a period of incre… petition in copiers.

However, Scott G… happy about the pr… Rank's share price ov… 18 months. Trend… Xerox (contributing … ted 86 per cent. of t… profits) should rem… able for several … Japanese competitor… centrating on smalle… and will take some ti… up into the copier … ranges where RX no… vast bulk of its reven… over IBM's Copier I… slowed down by reli… lems and Kodak h… launched its Ektapr… Europe. Given thi… space, RX's profits s… rise from £273.5m … 1976-77 to approach … by 1979-80, earnings … to Rank growing b… per cent. a year. As … Xerox operations, m… on whether a solut… found for the proble… Radio International … brokers suggest los… year, but a satisfact… trend is being projec…

An overall annu… growth rate of 15 … so in the next cou… may not look very … then companies in … facing a big earning… And Rank should … a steady improve… balance sheet, whi… shareholding (now … about 15 per cent.) … more stable.

Graff Diamon…

Although 45 per … minority shares … Diamonds were co… fore the new offer … after Christmas, … have only reached … after the initial … period. The offer … tended, but that i… achieve anything. … holders in questio… all, already been … the mill once, and … toughened. Signif… Laurence Graff is … all his options o…

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